

# DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1995

## HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED THIRD CONGRESS SECOND SESSION

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Printed for the use of the Committee on Appropriations  
February 24, 1994

U.S. GOVERNMENT PRINTING OFFICE

82-129 O

WASHINGTON : 1994

For sale by the U.S. Government Printing Office  
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402  
ISBN 0-16-045913-3

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## DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 1995

THURSDAY, FEBRUARY 24, 1994.

### FISCAL YEAR 1995 DEFENSE POSTURE

#### WITNESSES

HON. WILLIAM J. PERRY, SECRETARY OF DEFENSE  
GEN. JOHN M. SHALIKASHVILI, USA, CHAIRMAN OF THE JOINT CHIEFS  
OF STAFF  
HON. JOHN HAMRE, COMPTROLLER, DEFENSE DEPARTMENT

#### INTRODUCTION

Mr. MURTHA. The Committee will come to order. Today the Committee welcomes the Secretary of Defense, the Honorable William J. Perry and the Chairman of the Joint Chiefs of Staff, General John M. Shalikashvili. General Shalikashvili is appearing before the Committee for the first time as Chairman of the Joint Chiefs of Staff.

We appreciate the close consultation that we have had with you and with the Secretary of Defense. We worked with the White House last year on something we think was important to the overall deployment of troops in a humanitarian type deployment. Whenever there a humanitarian deployment the President has committed himself to tell us what the cost is, and where he will get the money. I think that is a step in the right direction.

We are in times where the military is stretched absolutely to the breaking point and we understand that. Mr. McDade and I have been all over the world talking to the troops and the families. We know the families are making tremendous sacrifices. We also know that many of the troops are probably deployed half the time, and many of them 25, 26, 27 months out of 48 months.

We know what a strain that puts on the family and how difficult it will be to keep good people in the service under those circumstances. We have to find ways to either reduce the tempo or make sure we have enough troops aboard. We had a threat assessment yesterday with CIA. It agrees with the way we believe—that Korea is the primary concern, and the area where we have to make sure there is no miscalculation on the part of the North Koreans. We think our trip to Korea was very beneficial and we appreciate the confidence that was shown in our judgment when we came back.

We know you have been conferring with the Commander in Chief about some of the things we suggested and talked about. We appreciate very much your appearing before the Committee and your

long-time service to this country. Every place we have gone, you have been held in such high regard. We appreciate the confidence you bring to the Chairman of the Joint Chiefs' job.

Mr. McDade.

Mr. MCDADE. Thank you. I want to echo the Chairman's comments welcoming the General. I see the Secretary has arrived.

Mr. MURTHA. Mr. Secretary, welcome. Nice to see you. We were just complimenting you. We will send you a copy of the complimentary comments we made about you.

Secretary PERRY. I might even add to them if I have a chance.

Mr. MCDADE. We believe in revising and extending here. I wanted to finish by telling General Shalikashvili how deeply we admire him. How many years of service to the country, General?

General SHALIKASHVILI. About 34.

Mr. MCDADE. We are grateful for your efforts and particularly for your consultations. We have always felt that we were in partnership here with the Department and we feel that way today. We have enormous problems to work through and we look forward to working with you.

This may be the most difficult time for the Defense Department in the last 10 or 15 years, and we all have yeoman work to do and look forward to doing it together.

Thank you, Mr. Chairman.

Mr. MURTHA. Let me say how much we appreciate the constant consultation we have received from you and your office. We appreciate the work that you have done and your attention to taking care of the people that serve in the armed forces.

We know they are stretched thin, as I mentioned. So many of the troops have been deployed more than 50 percent of the time, and I know what a strain that puts on the families and the people serving in the armed forces. For the first time, I did not receive the number of qualified applicants for the military academies which I have received in the past. It was down to about half what I have received in years before.

That is beginning to worry me because it is an indication that there are quality people who may not be looking to the armed forces as a career. We look forward to hearing your testimony and getting into discussions about which direction we are going.

If the shortfall is accurate, some decisions will have to be made this year in order to start moving to eliminate that shortfall. Historically we have always found the shortfall to be underestimated no matter how hard we try to be accurate about it.

Consequently, I think there is going to have to be decisions made this year that will save us down the road. I am particularly concerned about some of the money we spend in environmental clean-up before we really have the technology to do it right. Even though I agree with cleaning it up, I think we have to maybe standardize it and find ways to do it cheaper before we start into these massive cleanups.

Economic conversion is very popular with the Members, and something we want to continue, but we want to make sure it is productive. It is something that counts against Defense expenditures. So we have a lot of areas that we have a concern about and look forward to working with you for the rest of the year. With

that, Mr. Secretary, we appreciate your coming and look forward to hearing your testimony.

# SUMMARY STATEMENT OF SECRETARY PERRY

Secretary PERRY. Thank you, Mr. Chairman. This is the first time I have had the opportunity to present this budget to this Committee, and I am looking forward to that opportunity.

I decided instead of presenting the budget to you in the usual way, which is a long listing of programs and providing a program-by-program defense, I would instead undertake to try to provide for you an analysis of the investment strategy which we use which duly underlies all of the decisions we made, tell you the choices we are confronted with, and the rationale for making the decisions we made. That gives you a way then to not only judge this submission on specific programs, but judge the underlying strategy and the choices we made.

One thing I hope we can do is set the whole debate on the budget at a higher level. I want to, if I could ask you, do you have copies of the charts that I have prepared for this?

Mr. MURTHA. Yes.

Secretary PERRY. Let me ask you to turn to the first one. I don't plan to read the statement.

Mr. MURTHA. Without objection, your entire statement will be entered in the record.

[CLERK'S NOTE.—The charts referred to by Secretary Perry are included in the statement which is printed on page 13.]

Secretary PERRY. Chart 1 presents the five, you might say, themes which we had on our mind when we put the budget together around which my presentation is organized today.

The first one is that we wanted a budget which implemented the force structure that was called for in the Bottom-Up Review. There has been some debate and controversy on the Bottom-Up Review. This budget assumes we are implementing the Bottom-Up Review and proposes the force structure capable of doing that.

So you can critique it in two different ways. You can either say, given the Bottom-Up Review, this budget doesn't properly implement it. Or you can say this does implement the Bottom-Up Review, but the Bottom-Up Review is the wrong assumption. You can come at it from either direction and we are prepared to discuss both.

Secondly, we contend that this protects a ready-to-fight force. I expect controversy, discussion, debate on that, and will be prepared and General Shalikashvili will be prepared to discuss this to the best of our ability. I will repeat that this I consider my first priority in this budget and therefore to the extent we have failed in some respect to do that, we expect to be and deserve to be criticized and will look for ways to improve it because this is not rhetoric.

This is what we mean and this is our first objective. It does redirect the modernization program, you will see, in a profound way. We have cut modernization very deeply, one of the consequences of both having the top line of the budget going down and maintaining funds for readiness. Within that those major cuts then we had to be very selective about which programs we would sustain.

I would describe those to you and tell you why we decided to do it that way. With all the change going on, with the size of the drawdown, it is imperative that we do business differently in Defense. This is not a choice. We are looking over a less than a 10-year period a 40 percent reduction in the top line of the budgets.

If we tried to do business the same way by the same processes and the same overhead and the same infrastructure, it would be a disaster, so we are compelled to do that. I will describe some of the approaches we are using. Some of these approaches have implications, particularly in the outyears of the budget. None of them have, as I will explain when I get to them, none offer savings in the first year. In fact some require front-end investments in order to achieve the savings in the outyears.

We are reinvesting Defense dollars differently in some areas. You raised that point in your opening comment. I will describe that and we will be prepared to defend that. So that outlines the five basic themes.

#### FORCE STRUCTURE REDUCTIONS

Let me go directly to force structure. Second, Chart 2 presents this in a way which I thought illuminating. First of all, it breaks out the different elements in the force structure, land forces, Navy and Air Force, from top to bottom, and then from left to right, we describe four different force structures, the first being the Cold War, what we call the structure in 1990.

The next one being the base force which was put together by Secretary Cheney and it reflected already changes that were under way, geopolitical changes under way which told us we could bring the size of our forces down.

The last column represents force structure envisioned by the Bottom-Up Review and in between those is the force structure that is proposed in the 1995 budget. Let me pick a few numbers. Army active divisions, during the Cold War we had 18, the changed base force envisioned going down to 12, which is where we are today. Today—in fiscal year 1995 we will be at the 12 divisions envisioned by the base force. The Bottom-Up Review envisions two more divisions going out.

For the Navy, ship battle forces in the Cold War year of 1990 numbered 546. The base force dropped that to 430, the Bottom-Up Review dropped it further to 346 and in fiscal year 1995, we are at 373 which means the Navy has chosen to accelerate the move towards the Bottom-Up Review so in this fiscal year 1995 budget, they are very close to the stable bottom which is indicated by the Bottom-Up Review.

Finally, on Air Force active fighter wings, we went from 24 fighter wings during 1990 to 15 plus in the base force. The Bottom-Up Review called for 13 and the Air Force decided to get front-end savings to the maximum extent. So they have already in this fiscal 1995 gone down to the 13 active fighter wings.

That gives you some flavor of how these different force structures compare and the timing of implementation.

## PERSONNEL REDUCTIONS

Chart 3 gives you the personnel levels that are associated with those changes. The left-hand column describes the reduction in active military and from the peak in 1985 to the Bottom-Up Review, we are going from 2.15 million to 1.46 million, roughly a one-third reduction of the active military forces.

You can see that in fiscal year 1995 we are projecting 1.526. We are almost there. That is by the end of fiscal year 1995 most of this—and I have to say very real and troubling turbulence caused by the drawdown in the force, most of that will be behind us by the end of fiscal year 1995, and that is very good news indeed.

The comparable chart for civilians, we are looking at about a 30 percent decrease in DOD civilians. Looking at the last two columns, the Bottom-Up Review calls for 804,000 and we will be at 873,000 in 1995. We have about a year's more reduction to go by the time we complete 1995.

## PERSONNEL SPENDING

If we translate the personnel levels into budget—that is on the next chart. Chart 4 is interesting in several respects. The budget impacts here I have reflected always constant dollars. These are constant 1995 dollars so the inflationary effects are taken out and what you see is the real impact.

This shows that from 1975 into 1990 the total cost of personnel, both active and military and civilians, remained essentially constant at about \$125 billion, and all of the savings on personnel that occurred since then. You see we go from a peak plateau of \$125 million down to about \$90 billion by the end of the 1990s.

So we are looking at a \$35 billion per year decrease in the DOD budget as a result of the manpower decreases that I have already described to you.

I would also call your attention to the other point I made about ending the turbulence.

If you look at the last four years of this chart, 1996 to 1999, you see that we are essentially flat. The drawdown is over and we are holding at this new plateau. That is going to be very important, highly difficult to quantify, but an important impact on readiness.

No matter how much money we put into training, fixing airplanes and ships and so on, if you have rapid turbulence, people going in and out of the military, it is hard to maintain high rates. That is true of any institution. That \$35 billion then is a key savings we are making over the decade of the 1990s in the Defense budget.

## PRIORITY ON READINESS

On chart 5 we are now talking about how do we manifest our priority on readiness. I commented to some of the other committees I have talked to that you all hear anecdotes about this airplane isn't ready or that ship isn't ready, or a soldier or a sailor isn't properly trained. There is not very much if anything that the Secretary of Defense can do directly about fixing those individual problems.

What the Secretary of Defense can do on readiness is, first of all, redirect the budget to those areas that have the best chance of fixing it and that is a principal test that you should make on this budget whether we are allocating resources properly to those accounts which can be most useful in fixing readiness.

The second point I make about the Secretary of Defense is he can use his position as a bully pulpit to promote the idea of putting a priority of readiness throughout the services, and indeed throughout the Congress as well.

I can assure you that I am doing that, and one very particular, very pointed way I am doing it is in the Defense Guidance which goes to the services when they prepare these budgets. That Defense Guidance for the first time in history this year called out on the first page of the guidance that readiness is the top priority of the Defense Department and went on to say, any other requirement we put forward in this document may be traded off in favor of readiness.

That guidance reflects itself in services submissions to us which show increases in funding for readiness this year over previous years. With that background, here is an important caveat: I can't point to any single line in the Defense budget or even some small grouping of lines which I can say are the direct effect on readiness and other lines are not.

It is a complex issue involving personnel, morale, airplanes working, quality of life, many factors, ability to recruit. Let me say that nearly all of those are incorporated in the O&M funds and therefore one very crude measure of fiscal resolve is how much we put in the O&M account.

#### OPERATION AND MAINTENANCE FUNDS

Those of you who have been in the Congress as long as Mr. Murtha remember that in the late 1970s the readiness account, the O&M account was going down while we held firm on the force structure. We have made a different choice. We are bringing force structure down, not only holding readiness constant, but we are actually increasing it.

So this O&M account with a 7 percent decrease in force structure includes a 5.6 percent increase in O&M. I do not suggest to you that that 5 percent increase in O&M all goes to readiness issues. O&M is a big complicated account, but it is one macro-measure of a seriousness of purpose here.

Secondly, each of the services gave us requested funding for maintaining operational tempo. We funded all of those at full levels.

Third, we got requests from the services relative to depot maintenance funding that involved an increase of 20 percent in depot maintenance funding over last year, and that is funded in this budget.

Finally, there had been some downward fluctuations in the budget for recruiting. We felt that had an adverse effect on readiness over the longer term, so we have maintained in this budget a steady level for recruiting. I will be happy to talk more about that in detail, but it is very important that even as we are drawing



down the forces, we bring in highly qualified young people at the entry level in the forces, not just for the military.

Again, any institution expecting to be in business for a long time must bring in new and qualified people each year.

The next two charts try to put this in a different way. Again, a caveat. I am oversimplifying a very complicated problem, but this gives you a first order way of looking at it. Chart 6 says that if we count the number of combat battalions in the Army and divide those into the amount of operating resources we are making available to the Army, then that number has gone up 14 percent from 1993 to 1995. That is, there is 14 percent more operating resources per combat battalion in the Army. There is 11 percent more per ships in the Navy and there is 12 percent more for aircraft in the Air Force.

This chart looks at it in a broad and micro way saying take the total O&M dollars and divide by military end strength. Here we see 9 percent increases in the Army, 9 percent increases in the Navy, and 17 percent increases in the Air Force over the two year period, fiscal year 1993 to 1995. These are all constant dollars.

I am sure we will go back to readiness more in the discussion, but that is a summary which I believe emphasized our dedication. It is putting our money where our mouth is when we say readiness is a first priority.

#### MODERNIZATION

The story on modernization is very different. Chart 8 gives you the good news, the things we are going to continue to do. We are going to sustain a strong science and technology base because if we let that erode, that is probably the longest lead item to ever have to build up again. So we are sustaining a strong science and technology base.

We do continue investment in a few very selected next generation weapon systems. You will see them in the program, the C-17, the F-22. There is investment in development of next generation systems, but at a greatly reduced level from the Cold War period.

We have refocused our ballistic missile Defense program to where the dollars that were being spent on the theater missile defense program have been increased and we are moving toward an operational theater missile defense system, but where we have dramatically decreased all the other funds in the program including the funds going to the space-based systems.

We continue to sustain a strong intelligence program and we spend some money on preserving key elements of the industrial base that would otherwise disappear. I have spoken to this panel on this issue before. Let me give you an example, the Seawolf, which is in this budget. The reason we put the Seawolf in the budget has nothing to do with preserving a company, has nothing to do with saving a community, has nothing to do with U.S. economic interests. What it has to do with is we do not want the Navy to forget how to build nuclear submarines and we fear that if we once shut down a submarine facility, we will never be able to reconstitute it.

That is particularly so in the case of submarines because the complexity and specialties involved in the technologies and the development of the manufacturing process.

Let me go to the bad news on modernization, Chart 9. That chart is probably the most dramatic chart in the presentation because it reflects this peak procurement funding in fiscal 1985 and a precipitous decline from that point. There we saw modernization, combination of procurement and RDT&E at \$180 billion in constant 1985 dollars and that drops in this budget to a level of about \$80 billion.

I want to make three points. First of all, the decline is precipitous and that is having a dramatic effect on the Defense industry for which this chart represents their market. We are seeing now that the Defense industry by fiscal year 1995 will have one-third the size of the market they had in the mid-1980s, so a dramatic effect on Defense industries.

The second point is that even with that decline, there is a sizable funding here approaching \$40 billion which goes for modernization and another less than \$30 billion going for R&D. So there is still a significant amount of funds being spent there, which are approximately equal to the funds we were spending during the late 1970s.

So we can and will do selective R&D and selective modernization. Indeed during the late 1970s with an R&D budget smaller than projected here, that was a time when we were developing all of the weapon systems which were later employed to such great effect in Desert Storm. But this is a very lean procurement program.

If you look at the chart carefully, you will see that in fiscal year 1996 on the procurement account starts going up again. That is because we have two bases for decreasing procurement. The first is because we have fewer ships, fewer airplanes, and fewer tanks in our armed forces, that we don't have to buy as many replacement items on a year-to-year basis, and we can make substantial reductions on that basis alone.

The second is that because we are in a transition period of reducing the force, we have excess inventory of equipment for some period of time. So we not only have a lower steady state rate to buy at, but for a few years, we don't even have to buy at that rate. We can buy at a lesser rate and use up the inventory.

After that period happens, we have to go back up not to this peak during the 1980s, but to a higher level that sustains over a long period of time this new force structure to which we have gone.

#### PROCUREMENT OF EQUIPMENT

The next chart tells you what is happening to procurement of equipment from the Defense industry. Chart 10 says that from a peak procurement in 1985 where we procured 29 ships that this budget calls for six ships. So any of you that have ship building companies in your district are already painfully aware of this. We are going from 29 to six ships, a drop of 80 percent. Aircraft, 943 to 187, we are dropping 86 percent, numbers of aircraft not dollars.

Tanks, we are going from 720 tanks in 1985 to zero tanks in this budget. This budget has no dollars in it for the production of new tanks. Now, I might say we have a Defense industrial base issue for tanks similar to the issue we had in submarines. The way we

are proposing to meet that is the budget does call for an extensive program for modifying old M1 tanks, upgrading them to the new M1A2 level.

That activity not only gives us higher quality tanks in our inventory, but also provides the necessary activity to maintain most of the skills at a lower level that are needed in our tank production factories.

#### DOING BUSINESS DIFFERENTLY

I want to go from procurement to how we do business differently. I have already made the point that we don't have a choice about that. We have to do it differently in the face of this sort of decline in market so to speak. I have talked with you before about the need to reform our acquisition process.

I only make two points about that at this time. If anybody had any doubt about the necessity to have different ways of buying systems than we had in the 1980s, you just have to look at the preceding two charts to realize how profoundly the market has changed, and that we have to have a different way of buying things.

The second is that you have for your consideration in Congress now a bill providing the legislative changes necessary for us to implement these reforms. I take this opportunity to ask you for support of a robust change in the acquisition legislation so that we can get on with this reform program.

Also we have a financial management system which is archaic and obsolete. When I first came into the deputy's job having come from business and having run companies before, the only way I can react to the financial management systems that I faced was to say I was stunned that we were trying to run the largest business in the world with obsolete and archaic financial management systems. We are changing those.

Ultimately that will save us money. The first year or two we implement it, it will cost us money. We have to buy new systems and put them in. But we cannot proceed with managing business this important and this large with the financial systems we have in place today.

We would be happy to talk to you in a separate hearing about specific programs we have under way to make substantial change in the system.

The third point about doing business differently is that because of the oversized infrastructure we have, we are going through great efforts to reduce it.

One of the most painful aspects of that is a subject which is dear to your hearts, called base closing. We have closed bases every other year or so until last year and under the BRAC legislation we have one more base closing ahead of us, BRAC 95. We will be bringing to the BRAC Commission, who will in turn will be proposing to you in 1995 an extensive list of bases recommended for further consideration for closure.

This budget makes some macro-assumptions about base closures. It does not attempt to estimate which bases will be closed but it makes a macro-assumption about the size of it. The reason that is so important from a budget point of view is that, while ultimately the base closings will reduce overhead and save on Defense, many

billions of dollars a year, the impact this year, next year and the year after that is a cost to budget. It costs us to close bases.

One cost is aid to communities who are losing the bases. There are costs involved with the turbulence of moving troops from one place to another. Those costs are included in this budget both the unavoidable costs of moving plus the costs that are presumably avoidable but which we have chosen to take on which is the aid to communities. I will give you specific figures on that.

#### ENVIRONMENTAL RESTORATION

The last point is one which was already brought up in the opening statement, our environmental restoration. We have \$5.7 billion in this budget for environmental restoration. This is not a choice in the ordinary sense of the word because this is complying with the laws and regulations, although the Chairman brought up an interesting point that we might regulate the timing of how we comply with that based on the emergence of technology, a very interesting point, and we will look into that one.

We do have a choice on one element of this which we call pollution prevention. The purpose of spending money, a small but important amount of money here, is that if we can undertake programs to prevent pollution, then we are not faced with these \$5 and \$6 billion a year bills into the indefinite future.

So you should judge the program on how well we are complying with regulations and how well we are taking steps to prevent those kind of costs in the future. The only two portions of the Defense budget that are growing today are environmental costs and health care, so it is very important to pay close attention to those as we try to manage a budget.

#### DEFENSE CONVERSION AND REINVESTMENT

Chart 12 deals with the last theme which is Defense reinvestment, we have talked about the 40 percent decrease in the Defense budget top line. Most of that is going to other parts of the Federal budget or to deficit reduction. A small part, about \$3 billion, we are reinvesting within Defense. The biggest chunk of that is what we call dual-use technology investment, about \$2 billion.

These are R&D programs where we invest R&D dollars because we want some technology for Defense but where the technology is equally useful in a commercial application. The most important application is the so-called Technology Reinvestment Program and in that program we require 50/50 matching. The company that is going to benefit commercially is putting in half the costs.

These programs I think are a great benefit, not only to the DOD, but to the economic community as a whole. The test that you will want to make is, "Is this \$2.1 billion benefiting from a Defense point of view."

The other two items, the personnel assistance and community assistance are involved with mitigating effects on communities and Defense personnel with this drawdown we are going through now. We believe those are important programs, not only in fairness to the people in the communities who are being hit by this, but also in terms of the ongoing morale of the civilians and military who

stay in, who see that we take proper care of our people when they leave the service.

#### DEFENSE OUTLAYS

Chart 13 is Defense outlays as a share of gross domestic product. This is a 50-year history of Defense. You see two things. First from the Korean War on, you see what I would call a conical downward trend. It is trending downwards.

There are three peaks, a peak during the Korean War when we were spending 12 percent of the GDP for Defense, a peak during the Vietnam War when we were spending 9 percent, and a peak during the height of the Cold War during the Reagan Defense buildup when we had 6 percent of Defense.

The FYDP in front of you today projects that that number goes down to less than 3 percent of gross domestic product. In fiscal year 1995 it goes down to 3.4 percent. So when the question comes up where is the contribution to the deficit reduction, the answer is right here. This is going down and it is going down substantially.

A better way of perhaps looking at that from Congress' point of view is Defense as a share of Federal outlays.

Chart 14 shows the same three peaks but the numbers are different. During the Korean War we spent 57 percent of the Federal budget for Defense. During the Vietnam War, 43 percent, during the Reagan buildup, 27 percent.

We project that to go down to 13 percent at the end of the FYDP period and a little over 17 percent for fiscal year 1995.

#### DEFENSE TOP LINE

That then takes us to the dollars which go with the Defense top line. Chart 15 shows the numbers actually in our 1995 submission and the five-year program that goes with it. I will only point out a few specific issues here. The first is that if you look at the top line dollars, it looks like they are essentially constant with also waves up and down, meaning that over this five or six-year period, we are holding the budget more or less constant in then-year dollars. But if you correct those dollars for inflation and get the real change, that is represented by the fourth line down, called percentile change, which shows a 9 percent reduction in the 1994 budget, a 1 percent reduction in the 1995. We project a 6 percent and a 4 percent in 1996 and 1997.

Notice that 1998 and 1999 are back to almost flat. That is a consequence of the need to start building up procurement again at that stage. That is why the numbers vary from year to year.

#### SUMMARY

We summarize by saying that this budget is more than a set of programs and dollars. Chart 16 is a strategic investment plan. This plan is based on the Bottom-Up Review, which we have discussed with the Congress before, we have discussed with the rest of the Executive Branch before, so it gives us a common language, a common basis for discussing why we are doing the things that we are doing.

Finally because of that we are able to connect for you three crucial items, strategy on the one hand, force structure on the other hand, and fiscal impact on the third hand. So you can either look at the fiscal results and say, I don't like those results, I want to change them, and understand that to change them, you have to go back to the force structure and the strategy or you can look at the force structure and strategy and say I don't like it and that will drive changes in the fiscal.

The one thing we ask you not to do is to change one without changing the other; that is changing the cost without changing the force structure, the strategy, or to change the force structure and strategy and still expect us to do it with the same costs.

Mr. Chairman, that summarizes my presentation to you.

[The statement of Secretary Perry follows:]

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DEFENSE SUBCOMMITTEE

**STATEMENT OF**  
**THE SECRETARY OF DEFENSE**  
**WILLIAM J. PERRY**  
**BEFORE THE**  
**DEFENSE SUBCOMMITTEE OF THE**  
**HOUSE APPROPRIATIONS COMMITTEE**  
**IN CONNECTION WITH**  
**THE FISCAL YEAR 1995 BUDGET**  
**FOR THE DEPARTMENT OF DEFENSE**  
**FEBRUARY 24, 1994**

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DEFENSE SUBCOMMITTEE

STATEMENT OF SECRETARY OF DEFENSE WILLIAM J. PERRY  
IN CONNECTION WITH THE FY 1995 DEFENSE BUDGET  
DEFENSE SUBCOMMITTEE OF THE HOUSE APPROPRIATIONS COMMITTEE  
FEBRUARY 24, 1994

Mr. Chairman, members of the committee, it is a pleasure for me to be here today to present President Clinton's fiscal year (FY) 1995 defense budget.

During my confirmation hearing, I laid out six responsibilities for the Secretary of Defense. One of the responsibilities is to prepare the annual defense budget that allocates resources and makes program decisions.

The budget is a powerful tool through which the Secretary implements defense strategy. Through the budget process, I as Secretary set my priorities for the Department. Today I want to talk about how this budget reflects the strategy we have adopted to build a post-Cold War Department of Defense (DoD). I want to share with you my priorities and lay out the rationale for my choices. For the budget is about choices. We could pretend that every decision was based on pure logic, but we know that is not so. Nor is there enough money to cover every option, to hedge every bet. I expect discussion, perhaps even challenges. It is time to open the debate.

Today I am presenting a post-Cold War budget. It reflects the realities of our inherited force structure. We have a quality force, but the size of the force structure is both a blessing and a burden. We have large stocks of top-quality equipment, which in FY 1995 continue to provide options regarding future modernization. We also have a force larger than we need, one that requires a few more years of downsizing, and an infrastructure that requires further shedding, a process which we have discovered has heavy up-front costs.

Defense Themes

(Chart 1) There are five major themes which I would like to highlight in this budget.

First, it implements the Bottom-Up Review.

Second, it protects a ready-to-fight force. It tells you what we have done to put reality into our rhetoric about readiness.

Third, it redirects our modernization program, taking advantage of our existing force structure while planning for the future.

Fourth, it starts to do business differently. There are serious fiscal implications if we do not manage better. Without



management changes, we will not have sufficient funds for the future. As it is, we know that we have to plus-up the procurement accounts in the outyears to begin the process of "recapitalizing" the force. If we fail to manage better, overhead will drain funds from other accounts. We will have no choice but to rob from readiness or increase the topline.

Finally, this budget reinvests defense dollars into other areas of the economy, including deficit reduction.

#### Post-Cold War Force Structure

(Chart 2) Let me begin with force structure. The Bottom-Up Review served as the heart of our force structure planning. The Review concluded that our basic force structure should be sized to fight two medium-sized regional conflicts (MRCs) nearly simultaneously, and it defined the minimum needed force structure. Additionally, we allowed the requirement for overseas presence to help size the force. The structure we proposed then, and which is supported by this budget, allows us to meet these requirements.

Our budget continues the drawdown begun by the previous administration and takes it to the BUR levels at the end of the Future Years Defense Program (FYDP). In some areas, we will reach these levels more quickly, an important factor since significant savings will accrue and be available to plow back into other investments. We are already close to the BUR level of four Marine divisions; we are getting close to 346 ships and the 13 active fighter wings. In other areas, we are on a more gradual glide path because we need to make the enhancements that will help us compensate for a smaller force structure. When we reach the BUR levels, the overall force structure will have come down about 30 percent from its peak in the '80's.

#### Manpower

(Chart 3) The overall manpower levels have come down as you would expect with the declining force structure. One notable change is the increased emphasis I have placed on reducing the civilian support structure in a way that is commensurate with the drawdown in military forces. This is a painful process, and we must continue to fund the programs that allow us to minimize RIFs. We must also adequately fund employee transition programs that permit discharged military personnel the best possible chance to find work in the civilian economy.

The good news in this process is that, with the '95 budget, we are almost at the end of the personnel drawdown. So the personnel turbulence which so heavily affects morale will be largely behind us at the end of the '95 budget year.

(Chart 4) During the Cold War the costs of manpower stayed about level. Now we are cutting deeply in this area. The savings from a smaller force structure are considerable, about \$36 billion. We are already realizing most of these savings. This is the prime example of a choice in priorities. We have chosen to cut force structure in order to preserve readiness. This is the opposite of the judgment we made in the 1970's when we maintained a force of 2.1 million people, but deeply cut the Operation and Maintenance (O&M) accounts. That approach led to the "hollow force" of the 70's. Instead, we have determined that we can effectively function in the post-Cold War era with smaller forces, if those forces are ready.

#### Priority on Readiness

(Chart 5) We are taking those savings and investing them in the Operation and Maintenance accounts as the most direct way to preserve readiness. While the force structure will decrease 7 percent between FY 1994 and FY 1995, we have increased O&M funding by 5.6 percent. We have also fully funded Service Optempo requests. We have also decided that even while weapons inventories are shrinking we need to increase depot maintenance funding by 20 percent. Finally, we are maintaining the budget levels for recruiting. FY 1994 was as good a recruiting year as ever in terms of numbers and quality, but we must counteract the popular perception that we can no longer offer full careers. We must resist the temptation to save dollars on recruiting.

These are areas where the Secretary of Defense can make his priorities known. I cannot go out and repair a broken airplane or ship, but I can make sure that the military services give readiness their highest priority. We even put this instruction into the front end of the fiscal guidance. The services were told that readiness is the first priority and that all other guidance could be traded-off if they needed to program funds for improved readiness.

(Chart 6) One of the challenges in making this sort of decision is to find ways to explain the effect that added funding for readiness will have. One of the best ways we have found is to look at the funding per unit of military activity -- the funds available to operate a plane, a ship, or a combat battalion. Through this measure we are able to show, by activities and capabilities in the field, the relative increase in funding we have provided for readiness.

(Chart 7) We can also look at the increase in funding relative to the manpower levels in each service. For example, you can see that the Air Force has chosen to increase its O&M relative to Air Force end strength.

This dollar emphasis on readiness translates into people's ability to do their jobs with high confidence of success.

Needless to say, increased funding for training and maintenance is important for morale.

#### Modernization Approach

(Chart 8) The next priority I have set for the Department, with John Deutch's help, is to redirect our modernization programs. Again, this decision is consistent with the strategy laid out in the Bottom-Up Review, which premised our two MRC strategy on force enhancements.

First, we will sustain a strong research and development effort. I firmly believe that we can and must continue to provide our forces the kind of advantage we had in Desert Storm. In the business world it might be called an unfair competitive advantage, but in combat it is called winning, and winning with minimum casualties. Additionally, a strong R&D effort is essential to provide a foundation if we ever have to reconstitute our forces.

Second, we need to continue to buy some next generation weapons. This is our commitment to the next generation of Americans. The C-17 is crucially important to the Bottom-Up Review strategy. We are also forging ahead with the F-22. But these are a select few programs.

Third, we have refocused the Ballistic Missile Defense Program to give first priority to theater defenses.

Fourth, have emphasized intelligence. We cannot dismantle it. The world is a dangerous, uncertain place, and many of the diverse threats we face today are difficult intelligence targets.

Finally, we want to preserve key elements of the industrial base that would go away if it were not for our support. This may be one of the most controversial decisions we have made, and I would be happy to discuss it at length.

(Chart 9) For the past twenty years the procurement budget has been on a roller-coaster ride. Research and Development has been more stable; it has come down some, but it is still higher, in constant dollars, than in the late 1970s when we developed the weapons used in Desert Storm. I want to maintain R&D at a robust level.

The most difficult choice we have made is on procurement, and this will be a point of contention for many with this budget. First let me say that we cannot sustain these low levels of procurement for long, and we are projecting an increase beginning after '95, when it goes up by 20 percent between '96 and '99.

(Chart 10) We plan to continue the drop-off in near-term procurement that started in the Bush Administration. We will go from 20 ships in 1990 to six in 1995, from 511 aircraft in 1990 to 127 in 1995 and from 448 tanks in 1990 to zero in 1995. The tank story is not a complete picture since we are doing some upgrade work, which keeps the industrial base warm, but the contrast to the recent past is dramatic.

There are two reasons for this drop off. First, we are projecting a much smaller force structure, down 30 percent. And even when we hit a steady state, we will have smaller buys than the past. Second, as our force size goes down, we can live off the inventory we built up for the Cold War.

The biggest challenge we will face during the transition will be fine-tuning the industrial base. Attack submarine forces is a good example. Based on a 90-sub force with a sub life of 30 years, the required build rate would be three per year. A projected 45-sub force would require only one-and-one-half submarines to be built per year. But as we draw down to that 45-sub level, we really have no need to build new submarines until after the turn of the century. The reason we have chosen to invest in a new Seawolf over the next few years is to keep the industrial base active at a minimum level until we need to start buying again at a steady-state level.

Each case will be different. For tanks we can handle the industrial base issue through upgrades and foreign military sales. For submarines we will need a stretched-out buy. With airplanes we have enough procurement, and with the development programs for the F-22 and the new F/A-18 version, we can be confident that we will have suppliers out into the future.

#### Doing Business Differently

(Chart 11) Related to the need to increase procurement after '96 is the requirement to do business differently. In this budget there is not enough money in the outyears to increase the procurement accounts unless we cut our costs. That means acquisition reform is a real need and not just a good idea.

In addition, we need to reform our financial management. It is a mess, and it is costing us money we desperately need. Third, we need to continue to shed infrastructure. We urgently need the help of the Congress for all these activities.

All three efforts are designed to save money in the outyears, but none will save money immediately. There is no line in this budget for projected savings from acquisition reform. We will not credit those savings until we can precisely identify and verify them. To do the base closure process

correctly and quickly requires significant funds, and better financial management requires investment in new systems.

Taking care of the environment is in a slightly different category, but there are parallels. We must spend heavily to clean up past mistakes, and this is money which is an increasing drain on regular military accounts. But we are also trying to prevent the need for expenditures of this sort in the outyears. It is important to note that there is an additional \$5 billion in the Department of Energy budget for clean-up.

(Chart 12) The last theme I want to stress in this budget is defense reinvestment, totaling a little over \$3 billion. Much of this money is being put into dual use technology, where there is a clear benefit to Defense as well as a benefit to the commercial sector.

(Charts 13 & 14) The overall picture for Defense as a part of the national economy and budget shows the dramatic shift in resources from Defense to the non-defense side of the economy. Defense outlays are now down to 3.7 percent of GDP and heading toward 2.8 percent in '99. Defense outlays are already down to 17 percent of the Federal budget. That represents a significant peace dividend for the American people.

(Chart 15) This is the topline showing what we are planning to spend for America's defense.

#### A Strategic Investment Plan

(Chart 16) In sum, the President's FY 1995 defense budget represents a strategic investment plan. It is a blueprint for getting us to where we want to go. It is based on a common understanding of strategy and what is needed to carry out that strategy derived from the Bottom-Up Review. The Bottom-Up Review provides clear goals for ensuring America's defense. The budget connects our strategy to force structure and costs. I believe that it fulfills the President's pledge to sustain the "best-equipped, best-trained, and best-prepared fighting force on the face of the earth."

Let me now turn to several subjects that I believe might be of special interest to this committee.

#### The Bottom-Up Review

(Chart 17) First, some additional comments on the Bottom-Up Review. This study was truly a milestone for America's national security. The BUR solidified a consensus within DoD on the potential risks to America's security, the defense strategy needed to protect and advance our interests, and the military capabilities required to carry out our strategy to counter those risks. It also produced an affordable plan for the continuing

modernization of U.S. forces and for managing the industrial base to support a modern force. Finally, the Review achieved a consensus between DoD's civilian and military leaders on the most critical elements of a balanced program to achieve the needed U.S. security posture.

Perhaps the most important and controversial BUR conclusion was that the optimal U.S. force should be one sufficient to fight and win two nearly simultaneous major regional conflicts. This conclusion reflected a concern that if America were to be drawn into a war with one regional aggressor, another could be tempted to attack its neighbors--especially if it were convinced that the U.S. and its allies did not have enough military power to deal with more than one major conflict at a time. Moreover, sizing U.S. forces for more than one major regional conflict will provide a hedge against the possibility that a future adversary might one day mount a larger than expected threat. In sizing U.S. forces, we also committed ourselves to maintaining a strong overseas presence, which is essential to ensuring the vitality of our alliance relationships and maintaining stability in critical regions.

#### Defense Spending and Total Federal Outlays

(Chart 18) I recognize that this committee must consider defense spending in the larger context of the federal budget, and that there are enormous pressures to reduce the deficit and preserve domestic programs that directly affect our people. In that regard, this chart depicts the defense portion of this larger picture. It illustrates that focusing on Defense as the major cure for the deficit is out of proportion to its share of federal outlays. Let me hasten to add, however, that the primary reason that President Clinton and our nation's defense leaders oppose cuts beyond those planned is that it would carry excess risk to our future security.

(Chart 19) This chart shows that during the 1990s defense outlays are coming down dramatically. Defense is contributing to deficit reduction far in excess of its share of the federal budget. Unfortunately, increases in other segments of the budget dwarf our decreases--hence our nation's political leaders must continue their fully justified concentration on deficit reduction. My message here is simply that preserving America's future security must be as strong a concern.

#### The FYDP Funding Shortfall

(Chart 20) Finally I would like to explain the \$20 billion funding shortfall that has received quite a lot of attention.

The Bottom-Up Review was undertaken without a precise defense spending target in mind. When the BUR was completed, the Department found that the BUR program exceeded the

President's spending levels by a total of \$13 billion over the FYDP period. Secretary Aspin committed to finding the remaining \$13 billion during the normal review for the FY 1995 budget and FYDP. Reductions were made to many programs to achieve this goal. However, two developments complicated the budget review.

First, Congress provided a pay raise for military and civilian federal employees, whereas the Administration had proposed a pay freeze in FY 1994. The consequence of the pay raise was to increase funding requirements over the FYDP period by over \$11 billion. This was a real bill that had to be paid because the pay raise was mandated in law.

Secondly, the rate of inflation in future years was projected to be higher than was estimated at the time the FY 1994 budget was developed. Because of this change, it was estimated that DoD would need about \$20 billion more to pay for the BUR program over the FYDP period. Unlike legally mandated pay raises, these inflation estimates are likely to change several times during the year, and may well result in inflation cost growth below the \$20 billion over five years now estimated.

President Clinton reviewed these factors in December. At that time he reaffirmed his commitment to the BUR program. He also directed OMB to increase the overall DoD budget over the 5-year period by \$11.4 billion to provide for the effects of the pay raise over the FYDP period. However, the President opted not to budget for the multi-year inflation bill, which may or may not come due.

In order to implement the President's directives, the Department took two actions. It incorporated the full cost implications of the pay raise provided in FY 1994, and it repriced the BUR consistent with current economic estimates. These actions resulted in a defense program that exceeds the President's defense budget levels in the FY 1996-1999 period by about \$20 billion. Options to deal with this matter will be considered in developing the FY 1996-2001 FYDP--when updated inflation projections will be available. The President and the Department of Defense remain firm in their commitment to the BUR and the need to properly finance it.

Individual DoD programs and activities, through which the BUR is being implemented, all have been properly priced based on current estimates of inflation. DoD leaders are confident that planned forces and capabilities can be purchased for the monies projected in the FYDP. The Department used realistic projections for future costs, procurement schedules, likely savings, and other planning issues.

## **FY 1995 BUDGET**

- Implements the Bottom-Up Force Structure
- Protects a Ready-to-Fight Force
- Redirects Modernization Program
- Starts Doing Business Differently
- Reinvests Defense Dollars

511  
22



## Force Structure

	<u>Cold War Base 1990</u>	<u>Base Force</u>	<u>1995</u>	<u>BUR PLAN</u>
<b>Land Forces</b>				
Army Active Divisions	18	12	12	10
Army Reserve Component Divisions	10	8	8	5+
Marine Corps (3 Active / 1 Reserve)	4	4	4	4
<b>Navy</b>				
Ship Battle Forces	546	430	373	346
Aircraft Carriers				
Active	15	13	11	11
Reserve	1	-	1	1
Navy Carrier Wings				
Active	13	11	10	10
Reserve	2	2	1	1
<b>Air Force</b>				
Active Fighter Wings	24	15.3	13.0	13
Reserve Fighter Wings	12	11.3	7.5	7

512

CHART 2

# **MANPOWER LEVELS** (End Strengths in thousands)

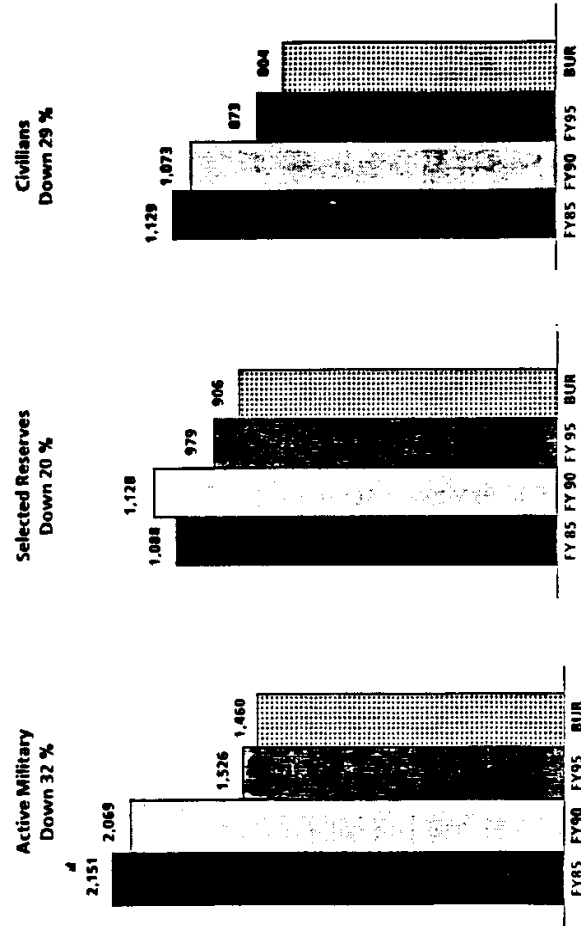
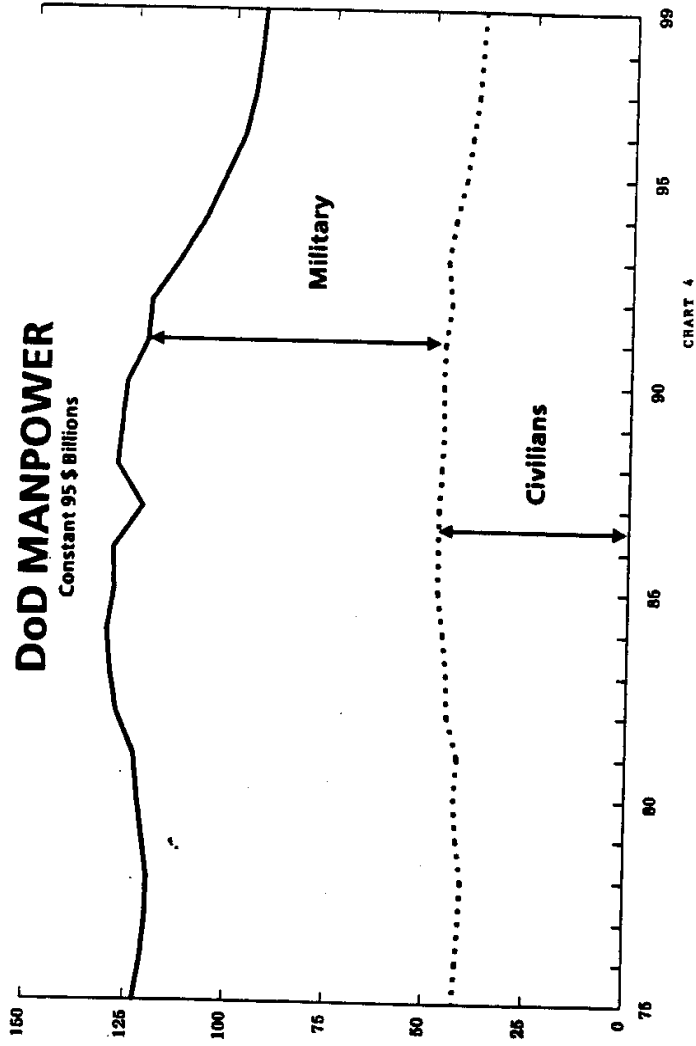


CHART 3

514  
25



## **PRIORITY ON READINESS**

- While Force Structure is Down 7%,  
O&M Funding Increases 5.6%
- Budget Fully Funds Service Optempo
- While Weapons Inventories Shrink,  
Depot Maintenance Funding Increases 20%
- Steady Budget Levels for Recruiting

# ANNUAL OPERATING RESOURCES PER UNIT

(1993 = 100)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
<u>Combat Battalions</u>			
• Army	100.0	102.5	114.0
<u>Ships</u>			
• Navy	100.0	108.1	110.7
<u>Primary Authorized Aircraft</u>			
• Air Force	100.0	109.3	111.7

27 516

**OPERATION AND MAINTENANCE**  
**Costs Per Military End Strength**  
 (1993 = 100)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
• Army	100.0	96.9	109.4
• Navy	100.0	104.5	109.1
• Air Force	100.0	107.3	117.1

28

517

## **BUR--ESSENTIAL MODERNIZATION PROGRAM SUSTAINED**

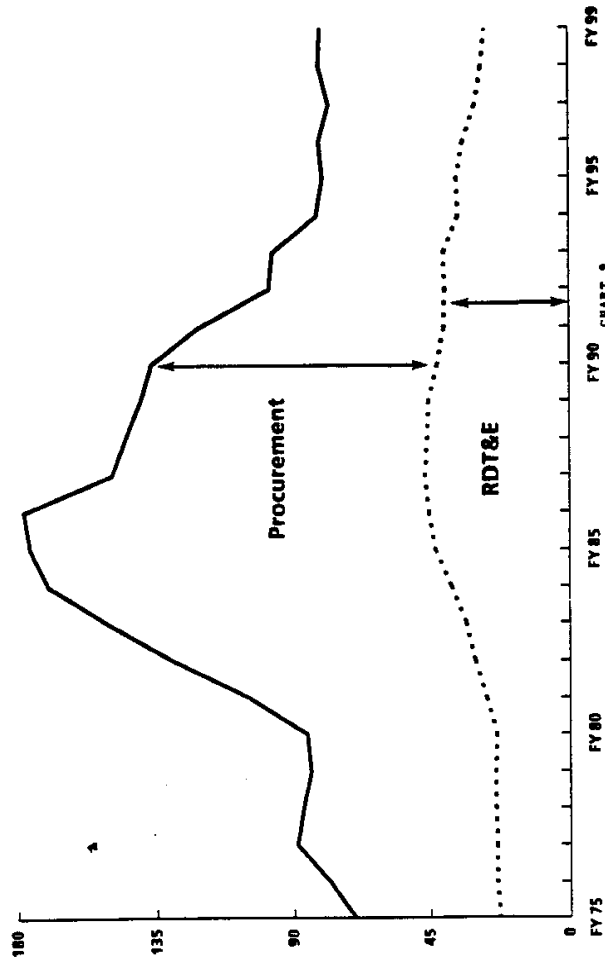
- Sustain Strong Science & Technology Base
- Continue Investment in Next Generation Weapon Systems
- Refocus Ballistic Missile Defense Program
- Sustain Strong Intelligence Program
- Preserve Key Elements of Industrial Base That Would Otherwise Disappear

518  
29

CRANT R

# MODERNIZATION FUNDING

Constant 95 \$ Billions





# HISTORICAL PROCUREMENT DATA

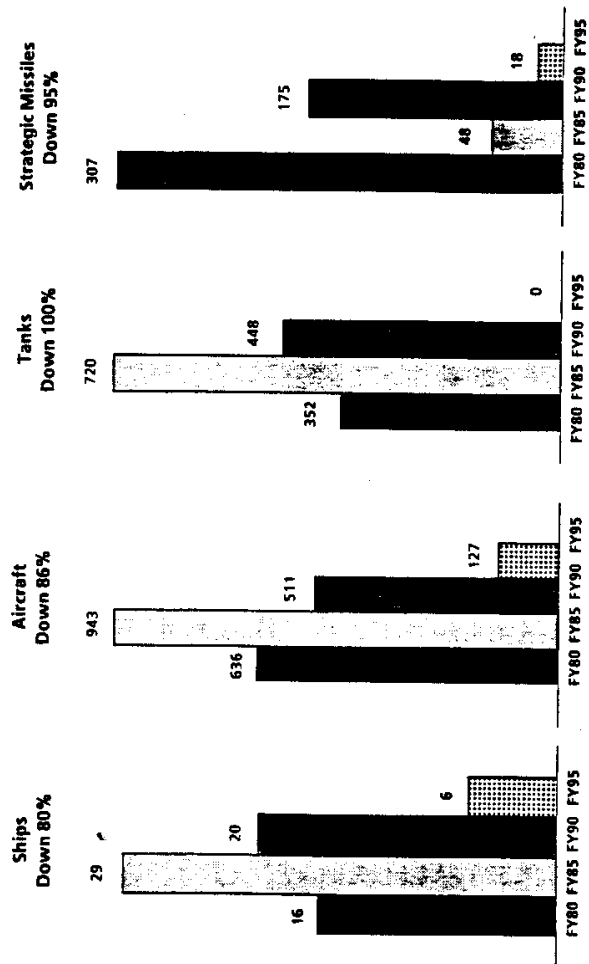


CHART 10

## **DOING BUSINESS DIFFERENTLY**

- Launches Campaign to Streamline Acquisition Process
- Launches Effort to Reform Financial Management System
- Provides Funding for Base Closures and Aid to Communities Losing Bases
- Provides \$5.7 Billion for Environmental Restoration and Pollution Prevention

82

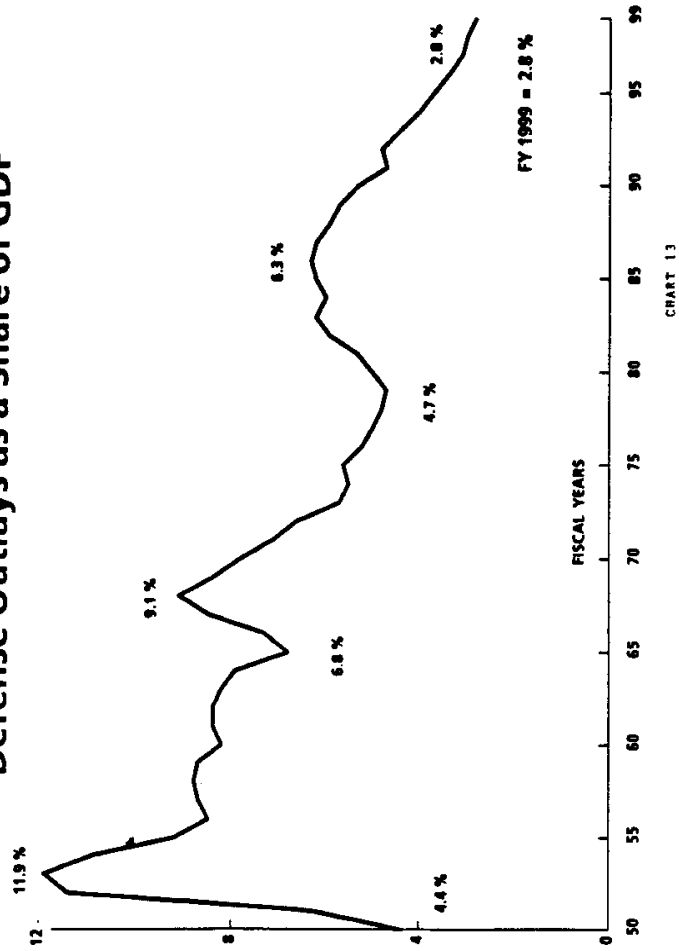
521

**DEFENSE REINVESTMENT  
AND ECONOMIC GROWTH INITIATIVES**  
(\$ in Billions)

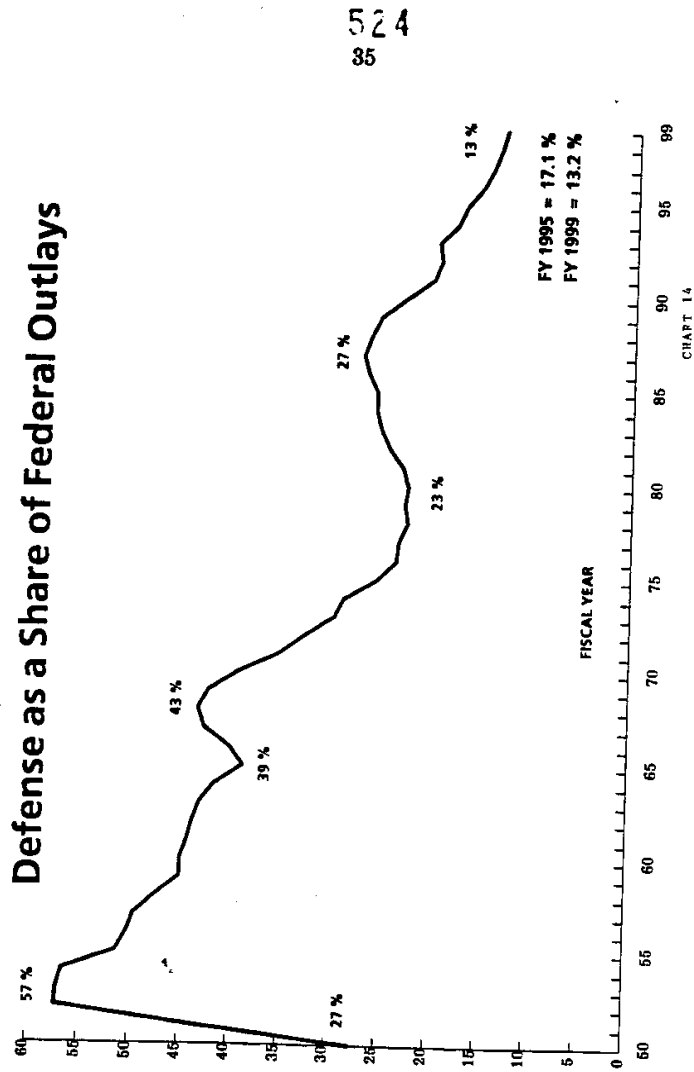
	<u>FY 1995</u>
Dual Use Technology Investment	2.1
Personnel Transition Assistance	1.0
Community Assistance	<u>0.2</u>
Total DoD Programs	3.3

33 522

## Defense Outlays as a Share of GDP



## Defense as a Share of Federal Outlays



# **NATIONAL DEFENSE TOPLINE** (Current \$ Billions)

	1994	1995	1996	1997	1998	1999
<b>BUDGET AUTHORITY</b>						
DoD Military	249.0	252.2	243.4	240.2	246.7	253.0
DoE & Other	11.9	11.5	11.9	11.8	12.0	12.1
Total National Defense	260.9	263.7	255.3	252.0	258.7	265.1
% Real Change	-9.0	-0.9	-5.9	-4.0	-0.2	-0.3
<b>OUTLAYS</b>						
DoD Military	267.4	259.2	249.1	244.6	244.7	245.5
DoE & Other	12.5	11.5	11.9	11.8	11.9	12.0
Total National Defense	279.8	270.7	261.0	256.4	256.6	257.5
% Real Change	-6.0	-5.2	-6.4	-4.5	-2.7	-2.4

86

525

CHART 15

## **FINAL POINT**

- Budget is a Strategic Investment Plan
- Based on Common Understanding of Strategic Needs
- Connects Strategy, Force Structure and Costs

37

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CHART 16

## **BUR CREATED CONSENSUS IN NATIONAL DEFENSE**

- Consensus on risks and military capabilities
- Consensus on modernization and protection of the Industrial Base
- Consensus between civilians and military on balance in defense program

88

527



1995 FEDERAL OUTLAYS = \$ 1.52 Trillion

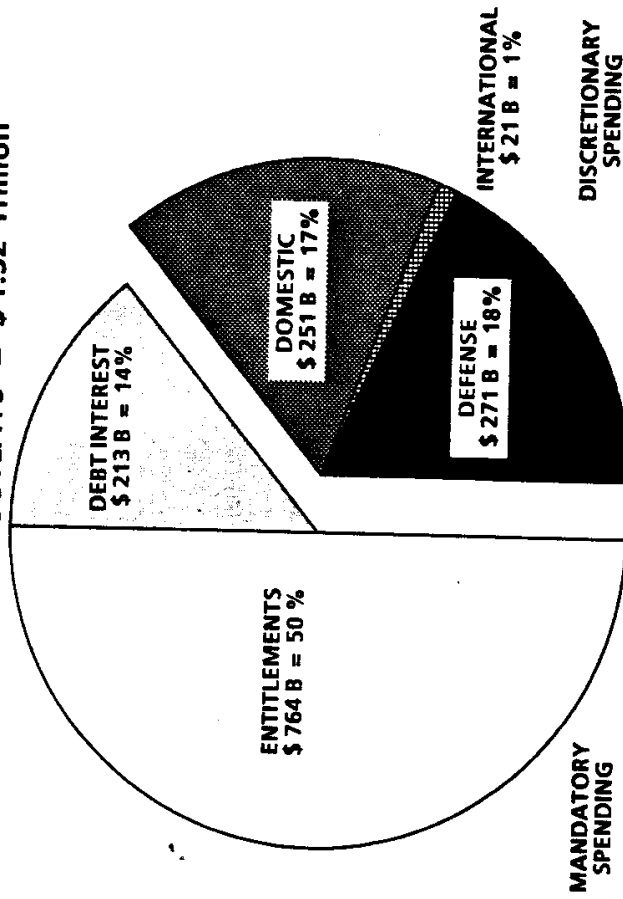


CHART 18

# **DOMESTIC DISCRETIONARY, DEFENSE AND MANDATORY OUTLAYS** Cumulative Real Changes FY 1990 - FY 1999

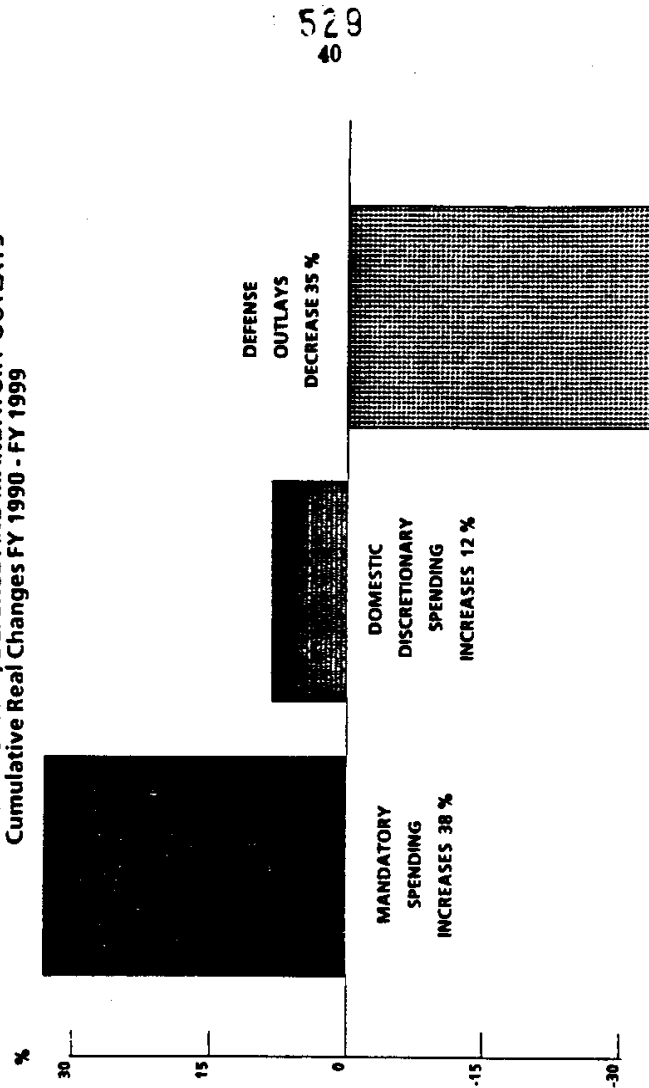


CHART 19

529  
40

**DoD FYDP VS TOPLINE**  
(Current \$ Billions)

<u>Budget Authority</u>	<u>FY 1995</u>	<u>Cumulative FY 1996-FY 1999</u>
FYDP	252.2	1,003.4
Topline	252.2	983.3
Funding Difference	-	20.1
		530 41

CHART 20

Mr. MURTHA. I would like to discuss just a few things that I am interested in until the other Members return.

Secretary PERRY. Could we invite Mr. Hamre to join the panel? He is the Comptroller of the Defense Department.

Mr. MURTHA. We don't hold it against him that he worked over in the Senate all those years.

Mr. HAMRE. I feel very vulnerable today.

#### FEDERAL BUDGET TRENDS

Secretary PERRY. One other chart, Mr. Chairman, this is chart number 19 towards the end here. This I thought was interesting in that it reflected what has happened over the decade of the 1990s as projected in this budget indicating over 38 percent mandatory spending increases, 12 percent domestic discretionary spending increases, and 35 percent Defense outlays decrease. This is the most dramatic way of seeing the shift in resources.

Mr. MURTHA. We are worried that we are counting the savings twice, they are taking those savings and that is going to domestic spending. Defense is not only going down, but the increase is in domestic spending. I understand why.

All of us would like to see more money in some of these programs, but that is a real problem. This is one of the things I have asked Mr. Visclosky to take on and Mr. McDade is going to assign somebody to look into the industrial base problem.

Earlier I was talking to Mr. Hamre about what I think we have to do to get to the procurement figures that you project three or four years from now. We have to make some cuts and decisions this year about some of those programs as if we were not able to realize the savings. I am afraid we will be troubled down the road if we don't make some decisions.

I wonder about the space program the DOD is trying to launch, which will amount to \$5 to \$7 billion down the road. I know there are a number of others. Five years ago I asked a retired CEO to evaluate the industrial base and how the government could keep industrial base and at the same time downsize. He felt it had to be done by industry.

Now, I know some of our industrial base projections are based on foreign sales. I have a concern that foreign sales won't materialize, that we are going to have problems with some of our foreign customers and that will further erode our ability to keep an industrial base.

So I really think we are going to have to look at how we put this whole thing together in order to get to the point where we would like to be. I agree with you—if we decide that we can't go down to 10 Army divisions, then we are going to have to find a different way of funding other things. We are going to have to take money out from someplace else.

Considering the tempo of operations we have going, I worry whether the Army will be able to operate with the numbers that we are projecting. We will work closely with you this year to see where we are, what is going to develop, and how we could make some savings this year that might project into the next couple of years and make a difference.

One of the things I am concerned about is the number of hours for driving tanks. I see you have driven that back up. It went down for one year, two years and now it is back up to 800. In the field they said they were beginning to get to the point where they felt they weren't as efficient as they should be so I am glad to see those things projected upward.

I know we are living on excess inventory now. They complained about our buying trucks, because they were being built in the former Secretary of Defense's area. The biggest shortage we had in Saudi Arabia was trucks. At the time we said there was a shortage of trucks. That is why we put them in. It had nothing to do with the influence of the Chairman of the Armed Services Committee. With that, I will turn it over to Mr. Dicks.

#### PUGET SOUND NAVAL SHIPYARD

Mr. DICKS. First of all, I want to welcome you both to the Committee and, General, I remember well when you were the commanding officer at the Ninth Division at Fort Lewis, Washington. The Ninth is no longer there. I want to make sure everyone remembers that I lost a whole division; then they told me I was going to get a little help from California; then they stopped that, a little help from Europe, and they stopped that. We are hoping and waiting, but realize that this is part of a painful and difficult process.

Secretary Perry, I want to compliment you. We have had a chance to work together for many years and I am very pleased that you are in this job and I look forward to working with you. One of the things that I wanted to discuss is an important issue at the Puget Sound Naval Shipyard in Bremerton, Washington.

I am concerned because there is now evidence, according to a series of articles in the Bremerton Sun, that when the U.S. conducted the nuclear testing in the Pacific in the 1940s, that a number of ships that were involved in these tests, were brought back to Bremerton, and the workers were not informed about the kinds of radiation exposure that they were being subjected to.

I know that Secretary O'Leary led this effort initially to talk about radiological testing, but before Secretary Aspin left, he had indicated that DOD would also be part of the President's task force, and would go back and examine its records about exposure of civilians, in this case, Navy civilian personnel, to various tests that were conducted, and we just didn't, I think, fully appreciate at the time what was involved here.

I want to place a copy of this in the record and give you a copy of these also.

[The information follows:]

March 6, 1991

# Scope of victims expands over 1940s radiation testing

## ■ PSNS

workers were exposed to a radiation from 18 ships that took part in atomic bomb tests in the South Pacific in 1946.

By Lloyd P. Gresham  
San Jose

Hundreds of personnel at the nation's Puget Sound Naval Shipyard who worked aboard radioactive ships in the 1940s should be counted as victims of radiation testing who deserve compensation, say advocates for atomic test survivors.

The PSNS workers were exposed to a mix of radioactivity and plutonium aboard 18 ships brought to the Bremerton yard after they took part in atom bomb tests in the South Pacific in 1946 aboard "Operation Crossroads."

In addition, thousands of they present were exposed to radioactivity to radiation about those ships before and after their arrival in Bremerton, records show. A 1986 study by the U.S. General Accounting Office found that this radiation exposure was significantly underestimated by the government.

While it came to be known as ships and shipyard workers, they just didn't know it, said Oscar Brown of Salem, head, commander of the National Association of Shipyard Workers.

He said sailors and shipyard workers who were assigned to work aboard "hot" Navy vessels in the 1940s and 1950s were victims just as much as the sailors who were exposed to radioactivity by being frequently deployed by Navy Secretary James C. Forrestal.

Forrestal, secretary of the Navy, testified before a Senate subcommittee in 1946 that he knew the ships were radioactive when they worked from the 1946 "Operation Crossroads" tests at Bikini Atoll. In the test, two nuclear bombs

Robert Campbell of Portland, Me., director of Toxicity Part 7, 40, a federal advisory committee on toxicology, said a sampling of 400 former "Operation Crossroads" participants showed their average age of death to be about 67. Their cancer death rate was about 77 percent.

PSNS personnel and sailors were exposed to varying amounts of radiation when they worked aboard ships damaged with fallout from the 1946 "Operation Crossroads" tests at Bikini Atoll.

In the test, two nuclear bombs

See PSNS on A6

Jan. 26 '94 9:18

SUN NEWSROOM

**RADIATION**

from Page A1

were detonated 24 days apart in the midst of a series of unmanned Navy "target ships" at the atoll while a fleet of "non-target" support ships and their crews observed from a distance.

The target ships that did not sink were heavily contaminated with radiation during the atomic explosions and the non-target ships were contaminated when they sailed into the test area immediately after the blasts.

Three of the target ships were brought to PSNS for study after the tests, and 16 non-target vessels also came to the yard for decontamination. The rest were sent to shipyards in San Francisco.

"Initially they didn't even tell us anything about the ships," said former PSNS employee Bob Metcalf of Bremerton, who worked aboard three non-target ships, including the USS Polux.

He said he found out the ships were radioactive from his brother, who coincidentally had been stationed aboard the same vessel at Bikini.

"No protective gear was provided to people working aboard the non-target ships, he said, even though the hulls, piping and some weather decks were contaminated with radioactivity and several hundred micrograms of plutonium, the deadliest substance known.

"Although Metcalf said he has suffered no ill effects so far from his exposure, he knows of others who have, including at least one who has died.

"They or their widows should receive some kind of settlement," he said.

Safety precautions were more stringent aboard the three target ships. Records indicate 513 workers went aboard the three, and all were told that the vessels were radioactive. But after the first few days of working aboard the ships, they often did not wear any protective gear, according to those who told part.

"Former PSNS employee Bill Engstrom of Tacoma, interviewed by The Sun in 1984 about his time spent working aboard the target ships, said he remembers one worker who got so contaminated he had to be pulled out.

"His badge showed just total radioactivity," he said. "His hair just turned white."

Walt Sauerbrier of Bremerton, who witnessed the atom bomb tests from the transport USS Wharton and later accompanied the ship to PSNS as a crew member, also believes sailors and shipyard workers who are suffering ill effects should be compensated.

"My whole feeling on all this is that Secretary O'Leary has opened a Pandora's box," said the Tri-County Post 7-45's Campbell. "Now let's just have the damn truth — no more fraudulent science. Let's just have the damn truth."

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Energy Secretary  
Hazel O'Leary  
1000 Independence Ave. So. West  
Washington D.C. 20585

January 25, 1994

To Whom it may Concern:

I am writing in behalf of my 83 year old mother, Mrs. Rose E. Fox, 865-4th Street, Bremerton Wa. 98312, brother Donald and sister Carol.

My father, Adolph J. Fox was employed at the Bremerton Navy Yard for 29 years, forced to retire due to a sudden poor health. Reoccurrence of stomach and back pain finally revealed a primary cancer of the kidney. During the next six years our family suffered with our father as we did everything medically possible. Even with repeated surgery and chemo therapy, he finally expired on December 24, 1960.

I am a retired Medical Technologist and have worked with radio active material in the laboratory. My knowledge and training led me to believe that my father was contaminated under Government supervision and without his consent. He was an inspector on the U.S.S. Sartoga and other vessels that were returned for evaluation, and docked in Bremerton after they had been atomic bombed in the atoll experiment. As a youth I saw the twisted guns and melt down that these vessels received. It is my opinion that they should never have come in contact with anyone after the blast, as for radiation was bound to have penetrated every seam and port hole.

It was my father and his team that was assigned to inspect these ships. Each man in turn to die of cancer at some latter date. Someone should be accountable as if they pulled the trigger of a gun, they should have known the consequence to their employees.

I hope that you can give my mother widowed for 34 years, the satisfaction of knowing her husband did more than his share in doing the manual labor, while taking pride in his work to protect the welfare of his country.

This should never have happened in this great country. I believe that the navy is responsible and I hope you bring the truth to the attention of our nation.

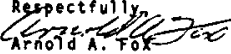


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Thank you for your investigation and service to our country.

Respectfully,

  
Arnold A. Fox  
Ea. 510 Clay Road  
Shelton, Wa 98584

CC: Sen. Patty Murray  
Sen. Slade Gordon  
Con. Norm Dicks  
Con. Jennifer Dunn.

Secretary PERRY. We have a very active task force looking at those issues and I will be sure that this particular issue comes to their attention.

Mr. DICKS. Who do you suggest we provide this information to?  
Secretary PERRY. Dr. Harold Smith.

#### BUDGET FUNDING GAP

Mr. DICKS. A number of Democrats met with the President late last year. Our concern was what was happening to the Defense budget. I still remain concerned that even with the Bottom-Up Review and even with the fact the President said we are not going to cut the budget further, in your testimony before the Senate you suggested that there is a \$20 billion gap in funding the Bottom-Up Review, and that is an issue of concern.

I just hope at some point maybe you could tell us if we have a strategy about how we are going to restore that \$20 billion? Can you share that with us?

Secretary PERRY. Let me tell you it is not simply a \$20 billion—where the \$20 billion problem came from and by this definition, you will see it is not just a \$20 billion problem.

Mr. DICKS. If I could say one thing further, we were also told that there is going to be a restoration this year of roughly \$3.5 billion in budget authority as part of an \$11 billion add-back—

Mr. HAMRE. \$2.4 billion.

Mr. DICKS. As an add-back to try and offset the problems caused with the pay raise. We are also being told that we are going to have acquisition and management reform, improvements that will save us \$7.5 or \$8 billion over the five-year period.

So it was \$11 billion back and we take \$8 billion away. We wind up with not very much unless you are successful in achieving these management initiatives. We are always confident that you can do it, but in that broader context, how are we going to convince the American people that we are doing enough for Defense?

Secretary PERRY. The first point I want to make, and you will have ample opportunity to review the budget and certify what I am saying, is that this budget is programatically sound, the programs and dollars associated with those programs are based on the best objective assessment we could make. There is no smoke and mirrors or games in the budget.

That is not to say we have always made the right estimate about what a program will cost a year or two in advance, but it is our best judgment. The problem then is that we put our program estimates together based on real dollars, and the top line of the Defense budget is projected years ahead in then-year dollars.

Therefore if we have to accommodate for that, we make estimates of inflation, that is we use the CBO estimates of inflation and every time those estimates of inflation change, we are in the position of having the cost of the program go up, but the top line not changing to reflect it.

That is what caused the \$20 billion in the first place in the budget. It is not an issue in the 1995 budget, but is a very big issue in the 1996 and beyond budget. By the time we get to fiscal year 1996 if that inflation estimate is still the same, we have to deal

with that problem. If we were lucky, the inflation estimate would have gone down by then and we solve it that way.

Mr. DICKS. Mr. Greenspan seems to think inflation will go up, not down.

Secretary PERRY. That will make the problem worse, not better. It may be more than a \$20 billion problem when we get to 1996. Either the Congress has to find some way in their top line authority of accommodating inflation changes, that for us would be the correct approach, but that is not our business, that is your business.

Mr. DICKS. How would that be accomplished? Would you have to change the law? Is that just part of the budget process?

Mr. HAMRE. Mr. Dicks, the caps for discretionary spending have nominal interest rates embedded in them. They would have to change those caps in order to accommodate higher inflation rates.

Secretary PERRY. It is a budget cap problem which is the issue here. Nothing we can do on the problem. That is up to the Congress. If the Congress doesn't take the action to change caps to reflect the change in inflation, then we have real programmatic costs higher than what the budget we had prepared assumed.

We can deal with that either of three ways. We can take programs out that were in there before. That is the classical way of dealing with the problem. We can get smarter about how we manage our business and achieve management reforms beyond those already assumed in this budget.

I showed the drawdown of civilian manpower, that assumed management improvements being effective because they were manifested in the budget by making a drawdown of civilian personnel. Finally, we can solve the problem by getting an agreement for some increase in the top line. Those are the only three logical alternatives for dealing with that problem.

Mr. DICKS. Every year we see this split between the services, and I come from an area where we have all three services, which I care about dearly. The one service I am very concerned about is the fate of the Army. It appears to us that as the defense budget is allocated, the Army budget is inevitably too small and the Army winds up in a position where almost all of its modernization is gone. The Army is at 570,000; some people worry openly that that may be too high a number for the resources that they have gotten, and we have heard from a whole series of former chairmen of the—Chief of Staff of the Army testify in hearings before the Congress that the Army simply is underfunded.

When I first joined this Committee, we had the hollow force. Shy Myers was chief of staff. Has the Army not fared well? Is this the number one readiness problem that we are going to be facing? Can they modernize with the kind of funding that they are being allocated?

General SHALIKASHVILI. I think there is no doubt if you look at their modernization program that they have in fact taken a very severe cut in those programs. When you talk to the near-term readiness of those 10 divisions to which they are going—I think with the money put back into O&M, the Army, in my judgment, will be able to meet the readiness standards that are expected of them.

As a matter of fact, if you look at their reported unit readiness right now, while there are the first signs that if that trend is not reversed, they would be in difficulty, I think with the money that Secretary Perry has put back and that is reflected in this budget here, that readiness in 1995 should be all right.

What you are really referring to is the long-term readiness that is manifested in the modernization programs that they have. That is why it is important to view, for instance, the tank example that Secretary Perry talked about as just a temporary way to get us through the period when we can live off existing tanks. But very soon, in the case of the Army, early in 1996, 1997, those trends have to be reversed and they have to get back into the modernization business; otherwise they will be buying themselves long-term problems.

#### FUNDING FOR THE ARMY

Secretary PERRY. Two comments. First, on the readiness of the Army, the chart I am holding here, which is Chart 7, shows that from using 1993 as a baseline that the O&M budget per military end strength in the Army dropped from 1993 to 1994 dropped from 100 to 97 percent whereas from 1994 to 1995 it went from that 97 up to 109 percent. That reflects the emphasis we are putting on it.

The other point is that the Army, and this deals with the Army's modernization program, the Army, unlike the Navy and the Air Force, decided on a slower drawdown of their force structure. The Air Force has reached the Bottom-Up Review force structure in fiscal year 1995, whereas the Army still has two more divisions to go. Therefore they are spending more on force structure now at the expense of modernization. That was a judgment call made by the leadership in the Army.

Mr. DICKS. Will you review that with the leadership of the Army?

Secretary PERRY. We review that several times a year.

Mr. DICKS. The statute that was passed in the Armed Services Committee, Congressman Skelton legislated that you have to keep the Army at 540,000 rather than coming down to 495,000, which is in the Bottom-Up Review. Can the Army do that and—can you provide them funding without an adjustment in the budget?

Secretary PERRY. Not without an adjustment in the budget. You will either have to drastically cut their modernization or forget readiness. There is no free lunch. If we want to maintain the Army force structure higher than the levels projected in the budget and we keep the budget levels the same, then we have to cut modernization or cut readiness. That is all that is left.

Mr. MURTHA. General Shalikashvili.

#### SUMMARY STATEMENT OF GENERAL SHALIKASHVILI

General SHALIKASHVILI. Thank you, Mr. Chairman. First of all, let me tell you how honored I am to appear before your Committee to represent the Armed Forces of the United States.

Secondly, let me tell you that since I became Chairman some four months ago, I have had the opportunity to visit our forces here and overseas, in Korea and Somalia, in Panama, in Hawaii, and in Europe, and just last Sunday in Aviano from where our pilots were prepared to fly the air strike operations.

The point is that no matter where I go, no matter where I meet with our service men and women, that they are continuing to do an absolutely magnificent job. I think that it is fair to say that they are protecting our interests and accomplishing the many missions that we have given them with every bit the same courage and skill and enthusiasm that Americans have grown accustomed to from the armed forces.

Turning to the Bottom-Up Review, perhaps I should start by making the point that the Bottom-Up Review identified four long-term dangers to our security and to our interests and to those of our allies. Through a combination of engagement and continued, but significantly reduced, forward presence of our forces in critical regions, through partnership with other nations to create conditions of peace and stability, and through preventive actions, such as arms control agreements, we deter and combat these dangers.

Our emerging strategy is proactive and our armed forces are already taking a proactive role, one that varies from region to region as our objectives and circumstances themselves vary in those regions. For instance, our objective in Southwest Asia is to prevent southwest Iraq or Iran from destabilizing the region. In northeast Asia it is to deter North Korea from attacking South Korea and to support counterproliferation efforts. We are also serving the larger purpose of maintaining regional stability all around the Pacific Rim.

In Europe we are maintaining a significantly reduced but still sufficient presence to support NATO and our alliance objectives. Within this hemisphere, we are fostering peaceful and stable conditions by remaining engaged with our regional neighbors, by enforcing the U.N. sanctions against Haiti, and by keeping a very watchful eye on Cuba. The geostrategic breadth of our interests, and the number of regions critical to our interests whose stability and security depend absolutely on the commitment of our forces, make it clear that we need to maintain the ability to respond to two nearly simultaneous major regional contingencies.

Were we to become involved in a major response to aggression in any one of these regions, it is entirely possible that another of these nations would be tempted to attack its neighbors if it believed the United States too weak to deal with two simultaneous contingencies.

#### SUFFICIENCY OF FORCE STRUCTURE

So this becomes the core sizing requirement of our strategy. The forces and capabilities we are recommending, and that Secretary Perry outlined, are lean; in fact I would say very, very lean, but sufficient. Could we cut deeper? My answer is no. If we do, we will put our country in a straightjacket, one that will eliminate the flexibility and strategic agility that our Nation requires.

I believe the smaller structure can do the job with an acceptable risk if and only if we meet two assumptions. The first is that we protect and, in fact, improve the readiness of our forces. The second is that we continue to improve the capability of those forces. And I believe this budget does both.

Let me start with readiness. All of you have been supportive of the need to protect readiness. All of you know what we want

through after World War II, after Korea, and again after Vietnam. It was a cycle of decline followed by disaster that we cannot and we must not repeat. And we are not repeating it.

Our O&M budget authority will rise in fiscal year 1995 and it fully funds the steaming days, the training hours, and the flight hours at the levels that military commanders believe are essential. As well, the increase in depot maintenance funding of nearly 20 percent will go a long way to ensuring that our equipment is ready to fight.

#### READINESS

The point is that we are breaking the bad habits that undermined readiness in the past. Our forces will continue to be the most ready and the most capable in the world. We must ensure that they are ready to go, to fight, and to win—whenever and wherever we ask them to.

We have a lot of commitments. Our forces are performing all the missions that I spoke of earlier and a great deal more, from helping to stem the flow of drugs into this Nation, to enforcing the Camp David Accord in the Sinai, to supporting the U.N. in Somalia, to responding to humanitarian missions such as the most recent earthquake in California. But I believe that our forces are doing these multiple tasks very, very well.

However, this raises several points. Our structure is getting smaller and smaller with each year, but our commitments remain global in scope and the range of activities we engage in is expanding. The point is, therefore, that we can't have any gaps or hollow spaces in our readiness. This is an absolute imperative.

When a structure gets as lean as ours is becoming, it means there is not nearly as much slack as we were able to afford with the larger structure of the Cold War.

Protecting our readiness is going to require two tracks. The first track is that we in the armed forces, in the DOD, have to remain watchful. The Services have to continually assess and monitor unit readiness and the joint commanders have to assess the readiness of all of our forces to perform their missions.

Within the Department we are going to have to protect the industrial base and the mobilization base to make sure we don't allow a vital capability to atrophy or disappear, leaving us with a future hole in our defense when we can least afford it.

We have to be so good at this, in fact, that we can tell you, the Congress, well in advance where problems are likely to occur.

And this leads to the second track. When we do come to you, we are depending on you to cover our expenses to protect this vital commodity called readiness.

#### INCREASED CAPABILITY

Let me turn to the other assumption, the one I spoke of earlier, about our need to grow in capability as we reduce our structure. This increase in capabilities must come from a number of sources. It will require a degree of modernization, it will require the enhancements that are recommended in the Bottom-Up Review, and it will require those of us in DOD, particularly those of us in the armed forces, to be bolder in challenging how we do our business

and to be relentless in finding and implementing ways to make our forces more and more effective on the battlefield.

What specifically am I talking about? When you go from the M1A1 tank to the M1A2 tank, you increase the lethality of a tank company by nearly 20 percent. If we had had the C-17 for use in our deployment to Somalia, it would have doubled the cargo we were able to bring through the airfield at Mogadishu.

When we bring our Navy closer to shoreline, which is a core thrust in the new littoral doctrine, we increase the air sorties and naval gun support available to the war fighting commanders. The Bottom-Up Review listed a number of enhancements that will make our forces more capable strategically, operationally, and tactically. It is imperative that we maintain support for them from R&D through fielding and in the outyear programs.

As I noted earlier, we are not merely reducing. We are restructuring our forces to accomplish a new strategy. We must improve our strategic agility to respond to diverse and widely separated contingencies. This means we have to continue to make our investments in expanded strategic lift and prepositioning stocks in locations that will increase our global agility.

As I pointed out earlier, we have to make continuing although selective, investments in modernization. We must make sure that our smaller forces remain capable of defeating any two regional adversaries. This is why we must increase our capabilities because even if we protect the readiness of our forces and avoid having a hollow force, if we fail to increase the capabilities of the smaller force then in five or ten years, we will have a hollow strategy.

One last point about this future force and that is our people. I have saved this point for last because it is so important and because it is the very foundation of our military excellence and our ability to fight and win.

I cannot emphasize strongly enough what great men and women we have in our ranks today. They are remarkable in every sense of the word. When you look at what they are doing around the world in the places I just mentioned, it is astounding. When you think of their courage, the hardships, the tough and demanding life-styles and the sacrifices that they and their families so willingly make, it is very humbling. They are talented and dedicated and if you want to retain them and continue to recruit more like them, then we have to take care of their welfare and the welfare of their families.

What I would like to say is that they are really a Super Bowl team but without Super Bowl salaries. The last place to look for more savings is in their paychecks and in what we provide in our quality of life programs. I know that you understand this because this committee has been very tough on holding the line on this. I ask you for your continued support.

#### CONCLUSION

I would like to conclude with one or two observations if I may. The first is a fact of American history. Since our Nation was founded, we have never experienced a 20-year period of uninterrupted peace. Put another way, no soldier in this country's history has ever completed a military career when the Nation did not engage

in armed conflict at least once. This is the reality that underscores our need to remain ready.

My second observation is simply a reminder, a reminder of how long it took and how very expensive and difficult it was to build this astounding military force that we have today. Most of you here on this committee were very influential in its construction and we owe you a great debt of gratitude. This underscores our need to continue to shape and equip our forces for the future.

In the past we were on a rollercoaster of decline followed by an expensive surge followed by another decline. This budget tries to put us on a steady line, one through which we maintain our balance in every critical measure of our armed forces.

We have a strategy and we have determined the leanest force structure capable of fulfilling that strategy, but in order to fit that very lean structure to the strategy, it is going to have to grow in capabilities. There are three factors that will make the difference, readiness, selected modernization, and people.

I assure you that my focus will remain on these three areas, and I ask that you keep them in your field of vision as well as we work together to ensure that our Nation is as well defended in the next century as it is today.

Thank you, very much, Mr. Chairman. I believe we are both ready to answer your questions.

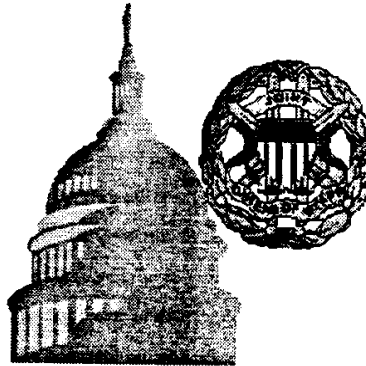
Mr. MURTHA. Thank you very much, General Shalikashvili.

[The statement of General Shalikashvili follows:]



For Release Only By The  
House Appropriations Committee  
Defense Subcommittee

*Statement of  
General John M. Shalikashvili  
Chairman of the Joint Chiefs of Staff*



*Before the Subcommittee on Defense  
House Appropriations Committee  
24 February 1994*

Mr. Chairman ... Mr. McDade ... members of the subcommittee

This nation is blessed with the finest and the most remarkable armed forces in the world. So, I am extremely proud to represent them before you today and to offer my judgment on the direction of our Armed Forces and the challenges that lie ahead.

Perhaps one of the most important contributions I can offer at the outset is to reflect very briefly on the human dimension of what we are talking about today, because it is hard to get this sense from the dry, lifeless columns of numbers and line items that appear before us in our budget books.

In the past few months, I have been privileged to visit our forces in South Korea, in Somalia and in Europe. In spite of the daily hardships of their duties, and in several cases the omnipresent dangers they face in some truly inhospitable places in the world, what I saw in these men and women made me thoroughly proud to wear this uniform and to be an American. Our men and women in uniform are out there, tough, determined and resolute. They are very proud of their accomplishments because they know theirs is a noble effort. We owe them our heartfelt thanks and every bit of the pride that I know Americans feel for our men and women in uniform. And of course, as all of you gathered here know all too well, they expect us to be just as determined and resolute, and to make the right choices as we decide the future of our Armed Forces.

This leads in to my larger purpose for being here today. I am here to give an explanation of what the Joint Chiefs, the Combatant Commanders and I believe are the requirements we need to fulfill our missions and objectives.

Over the past five years, we were forced by circumstances to take a dual approach as we made these recommendations. On the one hand, when we realized over successive stages that the Soviet threat was changing complexion, then ultimately disintegrating, we were searching to discover what parts of our arsenal could be reduced. This part was a divestment strategy, pure and simple. We looked for all those units and capabilities that were becoming excessive to our needs.

But, at the same time, we were struggling to come to grips with what we would need for the future. As events unfolded we came closer to answering that question, and the direction of our budget moved accordingly.

The 1995 budget is part of the re-creation of our forces for the future. There is still some divestment, as there will be for a number of years. But it is vital to understand that the heart of this budget is an investment in a reorientation of our strategy, our forces, and our capabilities for the future. It is not a simple remodeling of the old; it is new construction that will carry us into the next century. We have a strategy, we are confident it is the correct strategy, and we know what forces and capabilities we need to pursue that strategy.

What we are recommending is not a flabby force. It is as lean as we dared make it if we are to retain our ability to execute two nearly simultaneous major regional contingencies. There is very little, if any, room for miscalculation. We haven't provided a hedge of an extra division here or an extra fighter wing there.

I think we all know there are two critical schools of thought and two distinctly different moods dominating the public debate about our armed forces. Some believe we have not cut nearly enough, and that in the process, we are perpetrating an indefensible drain on our national treasury and contributing to our debt. Others believe that we are cutting far too much, far too quickly, and are thereby exposing our country to greater and greater dangers and risks. I, on the other hand, believe that we have it right.

I hope that the series of hearings you are beginning today will convince those who think we haven't cut enough that they are wrong. I could point to the fact that our Armed Forces have been used in 29 different major operations just since the Cold War ended, including fighting in two wars. Or, I could talk of the many new dangers we see lurking around us. But, ultimately the best way to judge whether this budget is the right size is to look to the future, not the past.

For those who think we are cutting too much, I want to emphasize up front two of the principal corollaries of our thinking. *This structure is adequate if, and only if, we stick with two linchpins: we must improve our capabilities, and we must improve and maintain our readiness.*

The first of these linchpins is based on simple logic. We can reduce our structure to the size and mix we are recommending, but only if in growing down, we improve by adding the capabilities required in our plans. That is why I used the questionable oxymoron of "growing down." Our forces must grow in capability even as they become smaller.

If George Patton had just one of our *modern* armor divisions when he joined Eisenhower's forces at Normandy, he probably would have broken through to Germany in less than a week. If Jimmy Doolittle had flown his famous raid over Tokyo in any of our *modern* bombers, he would have achieved his mission without losses, and then have been able to return all the way to the United States. If we could take *modern* Tomahawk-capable ships, and send them back in time, assigning them to Admiral Nimitz in World War Two, they would have had a dramatic effect on the Japanese mainland early in the war, thus saving thousands of casualties during the Pacific campaign. This is what I mean about improving the capabilities of our forces.

But, allow me to give this a more contemporary flavor. When we transition from the M1A1 tank to the M1A2 tank, we estimate that it increases a tank company's lethality by 18 percent. This nearly one-fifth increase in capability compensates for some of the reductions in armor forces we are making. Whereas it previously took one or more bombers for each target, new weapons will allow the B-2 to attack up to 16 high-value targets on one sortie and the B-1 up to 24 targets -- a tremendous increase in capability. And we estimate that, if the C-17 had been available for Operation RESTORE HOPE, we could have nearly doubled throughput per day to Mogadishu, Somalia. I don't need to paint the picture for you of what that will do to our lagging airlift capability. Similarly, our Navy is restructuring its fleets to emphasize littoral operations and take full advantage of improvements in sensor and weapon technology. The net effect is an increase in the number of air sorties and firepower the Navy can offer a theater ground or air commander. This kind of logic must typify our approach across all of our forces of the future.

In the Gulf War we enjoyed a genuine superiority over Iraqi forces. It was this superiority and our knowledge of how to use this mismatch to every possible advantage, that led to the extraordinary outcome of that conflict. But, one of warfare's most remorseless rules is that any nation too captivated by past successes is doomed to future failure. History books are full of woeful tales of militaries that were looking backward when they should have been looking forward.

Our improvement in capability must come from a number of sources. The Congress is going to have to fund a fair number of them. But we in the Armed Forces are also going to have to search for innovative ways to make our force more efficient, better trained, and more effective. We cannot and will not allow any sacred cows or gold watches to get in our way, to impede our progress, or to block our imagination. All must be open to change *as long as it is an improvement.*

The second linchpin of our thinking is that we will protect the vital readiness of our forces. I don't think anyone contests this point, but I'm not sure everybody is clear about what this means, about all that it involves, and about what it costs.

In 1945, our armed forces were 12 million strong. They were extraordinarily well trained, equipped and prepared, so much so that they defeated two of the world's major military powers. Five years later, what was left of this spectacular force was battered about the battlefield by a North Korean force that had been formed, equipped, and trained in a little less than two years.

Tragically, nobody had noticed how deeply our readiness had declined in such an amazingly short time.

What did we do wrong? We built down much too fast. We did not grow down; we fell down. The pace was so furious that we lost track of vital capabilities. In the rush to convert defense industries to meet booming domestic needs, vital industrial mobilization capabilities were eliminated. In our rush to demobilize units and decommission equipment, our morale, our cohesion, and our training suffered. And, of course, the steep decline in the defense budget, a decline intended to rectify the great debts left behind by the war and to help restore our economy to a sound footing, forced the armed services to balance and rebalance their needs, to continuously compromise one measure of readiness after another. It took a war and terrible losses to expose the seriousness and the depth of our decline.

We have not made the same mistakes yet. But, not only must we keep our readiness from declining, we actually have to improve it. Our Cold War strategy and our robust structure allowed us to stairstep our readiness. It was a larger force; therefore, we didn't need to keep all our units fully ready to deploy and fight. We accepted tiers in our readiness that could be fleshed out in the event of a contingency. Our smaller future forces won't have this slack.

Now, having emphasized the two corollaries driving our thinking, I'd like to explain more fully why this is the right force for our strategy and what areas we need to emphasize.

### FORCE ARCHITECTURE

I will begin by repeating for you some points you have heard, but they are still worth repeating and thinking about. The world today and the world we expect to see for the foreseeable future is a more uncertain, and in some ways, a more dangerous environment than we have known for decades. This uncertainty is an enemy in two respects: it diffuses our focus and it makes us too near-sighted.

If someone had asked us five years ago if we were planning to go to Kuwait, or to Somalia, or to contain the violent disintegration of a nation in the heart of Europe, I think we would have looked at them strangely. It should make all of us wonder what's next? Where next?

Large expansions in the size and capabilities of our Armed Forces are the product of many years of effort. A new equipment program often takes fifteen to twenty years to go from the drawing board through production and fielding. Creating a new air wing, a new division, or a new Carrier Battle Group, even using existing technologies, could take between five to ten years, assuming the industrial base exists in the first place.

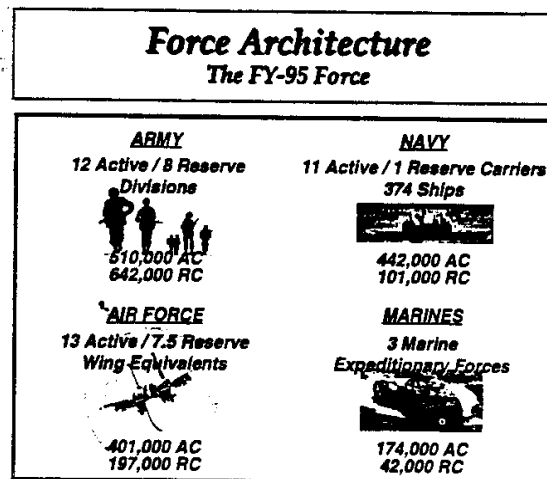
Our problem is that we just don't know what the global security environment will look like in another six, or ten, or twenty years. What we do know is that great changes are sweeping across the globe far more quickly than was the case in the preceding forty years. Any world globe selling in a store today that is over three years old is already an antique. We may be delighted to



find that the future is more peaceful and tranquil than today. Or, we may find that it is far more violent and frightening.

This lack of clairvoyance does not preclude sound planning, but it surely makes it more difficult. *The force we are building must take into account these effects of uncertainty.*

The forces we are recommending are the proper response for this kind of uncertain world. Our core sizing requirement has been described as keeping enough forces to respond to two nearly simultaneous major regional contingencies (MRC) and to prevail in both, as well as maintain our strategic deterrent posture. The aggregate FY-95 force list to accomplish this follows:



But, let me dwell for a moment on what we expect this force to accomplish, because our calculations are based on a lot more than the sizing scenario implies.

Our highest objective is still deterrence. The importance of deterrence was not washed away by the events of the past four or five years. What has changed is *who* and *what* we are deterring. There are still identifiable regional threats like North Korea, Iran, Iraq, Libya, and others. But we also have to deter less precise threats such as the proliferation of weapons of mass destruction. And, in a larger sense, we have to keep the new fears and insecurities that are being unleashed from breeding new threats, and from undermining the great achievements and opportunities that we sacrificed for during the past forty-five years.

One point is clear -- we must keep sufficient forces stationed overseas where our interests dictate, like Europe and East Asia. Our alliances and coalitions are our strongest bastions for stability and order in the world that is unfolding around us. Whatever savings we might reap by withdrawing our forces will seem foolishly inconsequential to our children who will inherit the damage this would certainly cause. Twice in this century we have made the mistake of divorcing ourselves from what was occurring in Europe or Asia. Both times it has led to disaster for them and for us. We cannot afford to make this mistake again. In fact, we need to build on our alliances, changing their focus to combat new threats and using our combined power to keep new fissures and new tensions from overturning our achievements.

We also have to be prepared to execute operations other than traditional warfighting. Being prepared for wars is our highest calling, one that we cannot and will not marginalize. However, when you look into the future, you cannot avoid the conclusion that our forces will be used more frequently for other types of missions and against other types of crises. Even today our forces are operating in Somalia, Iraq and the waters off Haiti; they are helping to contain the conflict in former Yugoslav states; they are supporting counterdrug operations; and they are bringing humanitarian relief to the earthquake victims in Southern California.

We are demanding and we will get a great deal more security from this "two-MRC" force than the title implies.

#### **PEOPLE**

No single investment we make is more important than our people. The Gulf War brought to the nation's attention something those of us serving in the Armed Forces have known for quite some time -- that the men and women who are serving today are absolutely magnificent. They are bright, highly motivated, extremely well trained, courageous, and totally dedicated.

It took a long time to get to this point after the demoralizing years of what historians term the "Vietnam era." But, it would not take nearly as long to go the other way.

Our economy is now recovering from the longest and deepest recession in our post-war history. Our men and women in uniform are aware of this, and

they are also aware that they possess skills and talents that businesses value just as highly as we do. As a matter of simple economics, we will have to compete even more tenaciously to attract and retain our high-quality people.

But, for the past four years we have been separating career people in large numbers. I think we have gone about it properly, and I applaud the Congress for "softening the landing" of all those whose careers have been unexpectedly cut short. But, we would be blind if we ignored the reverberations these cuts have sent throughout our forces, or the message they have sent to the young people we are trying to attract into national service.

It boils down, again, to simple logic. We will not continue to attract quality young people if incentives and benefits subside. We have to take care of the welfare of our people in uniform, our civilians, and our families, or we will not retain the career professionals we will need to lead our forces into the next century.

It is an old and proven axiom that men and women do not choose military careers to pursue riches. Nearly all do so because they are intensely patriotic, because they are dedicated, and because they enjoy the great fulfillment of military life. But, there is an invisible bottomline that must be met if they and their families are to stay in the Service through one tough assignment after another, being asked repeatedly to put their lives in danger, and often being separated from loved ones for long periods.

We are asking our sailors and marines to endure a career of six-month cruises, year after year of living in austere quarters, moving about the world from

one danger zone to the next. Some of our soldiers and marines have missed more than one Christmas away from their families in the past three or four years. For some, two of these warm, memorable holidays were spent in war zones or in Somalia. We are getting what we expect from our people, and we owe it to them to compensate them for their contribution.

The Future-Years Defense Program (FYDP) contains a number of items geared to our ability to recruit and retain quality people. Pay raises, funding for programs that offset special demands of military life, money for recruiting resources and advertising, dollars for reenlistment incentives, and health and educational benefits are all vitally important to our people and our families. Not covered in the DOD budget, but equally vital to the future of our forces, are the retirement benefits of our veterans. The men and women who serve today, and those who contemplate future service, watch closely how we honor our commitments to those who have served. All of these programs face constant scrutiny but are not areas in which to cut corners or find savings.

In the last six months alone, there have been two attempted assaults on the pay and benefits we have promised our people. Thankfully, this Congress fought off both of them, and I hope that, for the health and the future of our Armed Forces, we continue to resist future temptations to save dollars at the cost of the welfare of our men and women in uniform.

#### **READINESS**

In the past few years, I think all of us at one time or another have spoken of the need to protect readiness. I think there is a solid consensus behind this

point. But, as I mentioned earlier, I'm not sure that everyone shares a complete grasp of all this entails.

Readiness equals the ability of our Armed Forces to achieve their specified wartime objectives.

There is a great deal that goes into this equation. Steaming days, flight hours, and operating tempo are just a few considerations. Each of the Services has its own models for measuring and assessing unit readiness that account for any number of variables, from whether there is sufficient equipment on hand and whether that equipment is adequately maintained and fully operable, through personnel manning levels and whether a unit has experienced enough training to accomplish its missions. And each Service gives credence to a commander's assessment based on his or her intuitive experience and judgment of whether the unit is ready for its assigned missions.

That judgment recognizes that people are essential to maintaining readiness. Morale and esprit cannot be measured on a scale, but they can undo a unit's readiness more terribly than any other factor. This is an area we have to watch very closely during this era of reductions.

To some degree, time and money in, equals readiness out. But this is clearly only a partial answer. There are too many hidden or indirect siphons that can detract from it. For example, although readiness accounts may be fully funded, if base operations accounts are underfunded, then commanders are confronted with a delicate dilemma. They are forced to take funds away from

their operations accounts and divert them to keep the lights on at their installations and to keep the heat on in their child-care centers.

Alternatively, I think all of us are aware of the potentially dangerous tack we have practiced for too long of demanding that the services spend their carefully programmed moneys to fund actual contingencies. Even if the Services are repaid for these unexpected diversions at a later date, over the near term it forces them to put one unit into a state of readiness malnutrition in order to feed the growing costs of a deployed unit. If the amounts of diversion are small, the problem is manageable. But if we involve our forces in more and larger contingencies, readiness malnutrition migrates to more and more of the force, and the force could starve.

There is one more hidden siphon that disturbs field commanders, and this is the large backlogs that result when we underfund depot maintenance. In the long run, this underfunding is a guarantee of future readiness problems and possibly delayed modernization.

I think all of us would have difficulty explaining how we measure the readiness of our industrial base, which is crucial to our ability to sustain ourselves in prolonged major operations. This has been a problem throughout this century; and we have been shocked time and again to discover that when we most need to mobilize, vital areas are paralyzed or have atrophied so far that we have to rebuild from a dead start. I think we are going about it smarter this time, because we are identifying and protecting vital industrial centers, but it is an area we all need to watch.

The services all have good systems for measuring unit readiness, and we are improving our joint readiness assessment systems so that we can do a better job at assessing our ability to deploy and fight jointly. Our joint commands have evolved to the point where I think such a system is possible, and we are now making our first efforts to measure our joint warfighting capabilities. I hope to report on continuous progress in this area in future testimony.

What all this adds up to is that we need to do two things if we are going to protect our readiness. The first of these is that we are going to have to get better at how we measure all the various components that affect readiness. And, second, we are going to rely on your support to spend whatever is required to keep our readiness at adequate levels.

Over the coming months, you will hear from each of the Service Chiefs and from each of the combatant commanders. I am confident you will ask each of them to offer his assessment of the readiness of his forces. You will find, in general, that we all agree we are still above the waterline, but there are whirlpools and eddies that could suck us under. We are advancing carefully and all of us would be more confident if we avoided some of the bad habits I spoke of earlier. We will keep our eyes on the horizon; and if we see a problem looming in the future, we will ask for your help before we sink.

#### STRATEGIC AGILITY

Before the end of this century, we will have the smallest number of troops stationed abroad since 1950, when the war in Korea and the spiral of events and



tensions in Europe finally convinced us that we could not return to the illusory comforts of isolationism, as we had tried to do twenty years before.

We have reduced our forces in the Pacific and the reductions in Europe are proceeding. When they are done, our remaining strength will be about two-thirds less than the numbers we stationed in Europe during the later years of the Cold War.

We are becoming far more dependent on our ability to project power from the United States to effect deterrence or respond to crises in these regions. But, we haven't significantly improved our ability to do so. One of the reasons we kept such large numbers overseas in the past was because our strategic lift was so insufficient. Because we are bringing so many of our forces home, we can no longer afford to casually accept the glaring shortfalls that still exist in our strategic power projection capabilities.

In the past, we approached our strategic lift shortfalls much like the Soviets treated their five-year economic plans. Time and again, we gathered great fervor and intensity behind our intention to correct these shortfalls, we drew up ambitious timetables and schedules, and then, with each succeeding year, we slipped these schedules as we failed to accomplish one objective after another, as projected increases in air tonnage and sea tonnage failed to materialize, until we finally succumbed to the old trick of modifying our original requirements, reducing them to levels that made us appear successful, when, in fact, we remained far short of our original goals. Then, a few years later, some coalescing event would cause us to repeat the same cycle again.

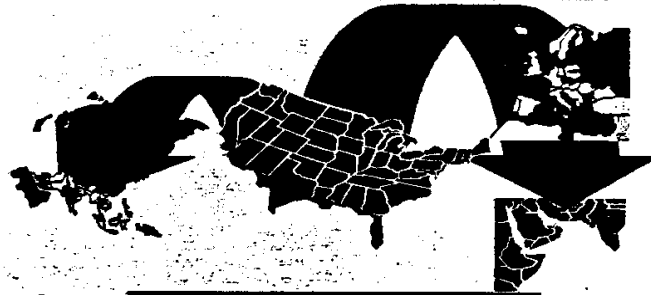
This budget is part of another of those five-year plans, but this time we have much more on the line than in the past. Because we have reduced our forward deployed forces so deeply, we are a great deal more reliant on our ability to reinforce them.

Just as important, the shift in our strategy demands that we globalize our deployment capability. During the latter years of the Cold War, we focused primarily on Europe and our commitment to have ten divisions in place within ten days. During the eighties, we improved our capacity to move military forces to Southwest Asia, as well.

We are now in the process of dispersing this concentration and refocusing it to give us a global orientation so that we can respond with much greater acceleration to contingencies in Europe, in Southwest Asia, or throughout the Pacific.

The risk is this. Right now, we have enough lift to move small numbers of forces to any theater in the world very quickly. But, we don't have enough to rapidly expand this flow into a torrent bringing in more and more forces, equipment and munitions at rates with which any of us should feel comfortable. The delays in time will be measured quite horribly in lives and territory lost.

***Strategic Agility***  
***Deploy and Sustain Forces Worldwide***



***Reduced Forward Presence Means:***  
• *Rapid Contingency Response*  
• *Greater Reliance on Strategic Lift*  
• *Emphasis on Prepositioning Key Materiel*

A famous Civil War general disclosed the secret of his battlefield successes as the ability to "Get there the firstest, with the mostest." We have to get better at getting there "the firstest." Our belief that we will is a critical assumption we accepted when we measured the size of our projected force.

The means to do this are the prepositioning programs and the lift expansion programs, both included in the FYDP. But, we also have to ensure the lift we currently possess is maintained and modernized. We do not want to rediscover, as we did in our deployment to the Gulf War, that some of the assets we are counting on are not nearly as ready as we believe.

#### MODERNIZATION

A difficult by-product of this new era is that we have lost the impetus that used to drive our modernization needs. How do we determine if we need a completely new piece of equipment, whether it is enough to simply modify an existing platform, or indeed, whether we need to add any improvements at all? For decades, it was our habit to make these decisions based on our analysis of Soviet developments and what we needed to counter them.

The risk we run today is that we will become complacent, that we will cancel one modernization program after another because we don't have a terrifying ogre knocking on our door. Alternatively, we know that we can't afford to invest in every modernization possibility that becomes available. So just how should we approach modernization?

In this budget we have steered our investments very carefully into those programs that will have the most dramatic effect on our capabilities for the investment, that will demonstrate the greatest payoff on the battlefield, and that will increase the survivability of our forces.

We have divided our modernization alternatives into two categories: those that can be achieved through inexpensive evolutionary modifications to existing equipment and those which require leading-edge technology that only revolutionary modernization can bring. The aggregate of these programs is a vital part of the capability we will need to field a capable force in the next century. From a technological standpoint, we will remain superior to any force that any other nation can field. We will enjoy new advantages in stealth, in standoff

precision weaponry, in sophisticated ground and space battlefield sensors, in night vision capabilities, and in tactical ballistic missile defenses.

On the other hand, hidden from sight are the large numbers of programs we terminated, some of which we felt were important but unaffordable in this more austere environment. Many of these program terminations were painful, to our defense industries and to communities that depend on defense procurements. But, they were necessary.

But, we cannot relent on modernization. Two vital considerations rest on it. First, modernization is the key to future readiness; and second, it is the only way to provide our next generation with a viable defense.

We have to view our Armed Forces as a living mechanism, much like San Francisco views its famous Golden Gate Bridge. That bridge is continuously being repainted. As soon as the painters have reached one end of the bridge, they turn around and start over at the other end. If they do not, they will fall behind and the bridge will lose its famous color, it will begin to rust, and the city will have to hire more painters and spend even more money to catch up.

In a similar vein, we have to continue 'painting' our forces. If we fail to continue to modernize, we are merely creating a massive problem down the line for a future generation of military leaders, for future congressional leaders, and for future taxpayers. No piece of equipment or system lasts forever. We have to keep replenishing our stocks through a combination of continued fielding, rebuilding, modifications, or modernization.

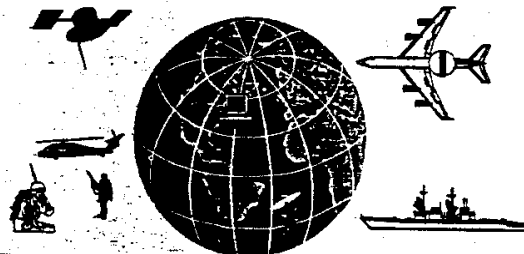
As I stated, we are asking you to modernize only the systems that will make a dramatic difference to our capabilities.

**COMMAND, CONTROL, COMMUNICATIONS, COMPUTERS, AND  
INTELLIGENCE (C4I)**

During the Grenada invasion only ten years ago, we were shocked to discover that soldiers on the ground could not talk directly to Navy ships lying just offshore to coordinate vital gunfire support. During the Gulf War, only three years ago, we discovered interoperability problems in passing air tasking orders between different services. And, when the conflict ended, General Schwartzkopf noted that he didn't feel that he had access to strategic intelligence in a timely enough manner, nor was this intelligence being distributed to frontline fighting commanders in time to be properly used. These lapses did not cause catastrophic problems. But, in other conflicts and under other conditions, if they recur, they could cause disaster. We need to follow through right away on the problems we discovered in the Gulf War.

But, we have to do more than just correct problems we have already discovered. We have to harness the spiral of innovations occurring in computers, in electronics, in software, and in communications technologies in our laboratories, and we have to adapt these innovations to improve our strategic C4I architecture and our ability to cut through the fog of war on the battlefield.

## **Command of the Battlespace** *The Importance of C4I*



### **Enhanced C4I Helps Us:**

- *Know What's Happening All Over The Battlefield . . . As It's Happening*
- *Gain Vertical and Horizontal Linkage Between All Friendly Forces*
- *To Gather More Information, Sort It Out Faster, Send It Where It Belongs, Then Decide And Execute Faster Than Our Opponent*

Key to this is protecting and improving our ability to stay inside any opponent's decision cycle. Doing so requires two capabilities. We must have the ability to see the battlefield with such depth and acuity that we know what an opponent's forces are doing even before they know. Then, all of our forces -- air, land, and sea -- must be able to act with such speed and joint precision that our opponents will be overwhelmed, frozen, and incapable of responding.

In each of the two world wars of this century, new technologies debuted that revolutionized the way we fought. In the First World War, it was the machine gun, barbed wire, and finding a new application for an age-old soldier's tool, using the shovel to dig trenches. In the Second World War, it was the radio, radar, airpower, and armored forces. The revolution occurring today is in C4I.

### CONCLUSION

In these uncertain times, we must protect our readiness, we must keep our force structure at the right size to be able to respond to major contingencies in two regions nearly simultaneously, and we must ensure that these forces grow in capability even as they come down in size. But, even this will not be enough if we do not keep the same remarkable quality of people in our force as we have today.

Our strategy is right. And, the forces we are recommending are sufficient if we follow through on the enhancements contained in this budget. If we do so, we will be more capable of executing two nearly simultaneous major regional contingencies than we are today.

We must be able to move our forces and our supplies to threatened theaters faster and in larger and larger quantities. For an embattled theater commander, this alone has dramatic and nearly immeasurable battlefield consequences. From a warfighting perspective, I think any theater commander would far prefer four divisions and seven wings within a month after they are asked for, than twice that number three months afterwards. And, the forces we send must have more raw battlefield capability than any we could put into the air or on a ship today. \*

We also have to be alert against complacency. For the time being, we are fortunate not to have a compelling danger that threatens our very existence. But, we must maintain our forces and our readiness, we must modernize, and we have to build and expand the vitality of our alliances. We have to do these



things today, not because we have a gun at our heads, but because we want to keep anyone from putting a gun at our heads, or ten years down the road, from doing so to our children.

As a nation, we have learned to view our environment and our debt with an eye to the future. We are disciplining ourselves to be more responsible about the state of the treasury and the atmosphere our children and our grandchildren are going to inherit. We need to carry the same outlook over to how we view our Armed Forces.

Today, America's Armed Forces are as good as we ever had. When we call upon them, as we have been doing quite often, they respond brilliantly. I ask your support in helping to maintain this edge tomorrow, and into the next century.

Mr. MURTHA. There is no committee more aware of or more supportive of the things you talked about. As you know, we instituted and supported the pay raise last year. We support quality of life.

Let me also say that I was just reading about the heroics of the troops in Somalia. With us today is Ms. Jill Yacone, a former staffer who worked for Bernie Dwyer, a former Member of Congress from New Jersey. We had a chance to visit with her brother, Captain Yacone, who is one of the heroes of the battle in Somalia. Much of the heroics were lost in the tragedy of the events.

We saw firsthand the viciousness of the combat and how dangerous being in the military is today. So we see firsthand the difficulties that people in the armed forces face. Before I went over to Somalia, I went up to Fort Drum and talked to the wives who had such a concern about the constant deployments of the same people over and over again.

We are certainly here to support a budget that will keep the military at the highest possible level for our national security needs. Mr. McDade.

#### OUTLAYS FOR PAY RAISE

Mr. MCDADE. Thank you, very much. General, thank you for your excellent statement. I have a number of questions that I need to direct to you about the scope of this budget because I have to tell you honestly that I am troubled by it. I recognize the tremendous constraints that you have to operate under and it has been a constrained environment.

The overall problem is enormous, perhaps typified by the pay raise colloquy in which it is indicated that you got \$2.4 billion in relief in 1995; is that an accurate number?

Secretary PERRY. Yes.

Mr. MCDADE. Did you have outlays that go with it?

Mr. HAMRE. We could accommodate without the outlays. We received full outlay relief for the outyears. We received \$9.3 million but not in 1995.

Mr. MCDADE. So you got BA, but you didn't get the outlays that accompany it? This account spends out at 100 percent, so you are decremented, unless there is relief by the time this committee marks up, \$2.4 billion. You will take it out of hide.

Mr. HAMRE. We indicated that we could by deferring advanced billing repayment over an 18-month period as opposed to a 12-month period. We would be able to accommodate the pay raise without outlay adjustment in fiscal year 1995.

Mr. MCDADE. You are going to stretch your financial management?

Mr. HAMRE. Yes, sir. It was the option the Department had. The Department would have welcomed additional outlays as well.

Mr. MCDADE. If you are going to be accurate about it and if you are going to really try to make sure this problem doesn't exist, they would have granted you the outlays at OMB and not constrained you, giving you BA, but not the outlays to go with it?

Mr. HAMRE. Sir, it is not my role to speak for the Secretary, but the overall outlays are constrained by what the Congress grants under the discretionary caps.

Mr. MCDADE. There has been no effort made to try to change that. We are talking about whether this is a budget that is going to live up to the billing of no games or smoke and mirrors and I am not sure it does.

You acknowledge the \$20 billion shortfall over the 5 years based on inflation. It is underfunded by \$20 billion over the 5 years.

Secretary PERRY. I state that the latest CBO inflation estimate puts us \$20 billion short relative to the one they made when they put the budget together first. That is correct.

Mr. MCDADE. And that is a differential that is based on the inflation rate changing from 2.35 and 3.3 percent?

Mr. HAMRE. Yes, sir; approximately.

Mr. MCDADE. Inflation is going to be probably a lot stronger.

Secretary PERRY. We are sure it will be different, but not which way and how much.

Mr. MCDADE. History says it will be a lot higher than 3.3 percent. If it is, your budget is just gone.

Secretary PERRY. That is what I testified to earlier.

Mr. MCDADE. You testified to \$20 billion of it.

Secretary PERRY. No, I testified that if inflation went up, the \$20 billion would not cover it.

Mr. MCDADE. You are correct, but what level would it be? Suppose inflation went to 3.5. How much would the budget be decremented at 3.5?

Secretary PERRY. I can give you the number later.

[The information follows:]

When the inflation rate for "Other Purchases-Budget Authority" rose from an average of 2.2 percent to 3.0 percent last year, the shortfall turned out to be about \$20 billion for FY 1996-99. If that rate rose to 3.5 percent, we could expect the shortfall to increase about \$15 billion.

#### SHORTFALLS IN FUNDING

Mr. MCDADE. That is not the only concern I have. Another is procurement reform. This was put into the budget to get you under the budget cap, about \$12 billion. You are assigned \$8.5 billion of the \$12 billion and you are told to either do procurement reform, to that extent, or come up with \$8.5 billion, so there is \$20 billion; \$8.5 billion resulting from procurement reform.

I talked to the fellow at GAO who does this and I said "What are the chances of us getting \$12 billion in procurement reform enacted?" And he said "That is almost a shell game in Washington that becomes laughable. I hope you succeed, but if you don't, Defense is out another \$8.5 billion."

You are also saying that you are going to hold pay down to 1 percent below inflation for the 5-year period and you have seen what happens on the Hill in circumstances like that, so that is a pretty thin reed. That is \$14 billion over 5 years; is it not?

Mr. HAMRE. Sir, it would be approximately \$14 billion to restore the 1 percent that is below the statutory requirement for half a percent below ECI. If it was to be fully compensated for the rate of inflation, that would be \$21 billion, so it would be approximately \$14 billion if it were 1 percent restored.

Twenty-one billion dollars is the total if it is to be fully covered for inflation.

Mr. MCDADE. The CNO held a press conference in January going to the question of whether we have adequately funded the Bottom-Up Review. He said that he is underfunded to perform the current structure under the Bottom-Up Review by \$3.5 billion a year in shipbuilding and air accounts. That is an additional \$17 billion over five years. If you total all these categories, we are now at a level of underfunding that approaches \$60 billion.

If all these scenarios come true, there is a \$60 billion decrement over the 5-year period in the budget and that is troubling, to say the least.

Secretary PERRY. First of all, I want to say if I came across to you as sanguine about this budget, that was the wrong impression. I am not at all sanguine about it. These will be very tough. It is a lean force structure to do what we are trying to do; and secondly, as it is a very lean budget, to try to achieve that force structure.

Mr. MCDADE. You would agree that there is very little room to maneuver here?

Secretary PERRY. Precisely.

Mr. MCDADE. So if you get hit with something like \$15 billion additional over a 5-year period, that is a very hard thing to deal with?

Secretary PERRY. That is right. We have to come back at that stage and either have programs decremented or demonstrate—demonstrate, not promise—management improvements for some amount of that money or ask for a higher top line. Those are the only three alternatives open to us.

Mr. MCDADE. I would bet that before this year is out, we will see some of these things kick in that will turn the budget into a house of cards. I am worried about the assumptions it is based upon not being able to be implemented. I hope a lot of them can, but I don't have any confidence. So I think we will be back here doing a lot of backing and filling trying to do what we want to do, keeping our forces ready, strong and able, and unless we are able to take actions to do that, we are just wasting our time.

Secretary PERRY. You have a right to expect from us that we put the assumptions clearly on the table so you can understand what they are and we are talking about the same set of assumptions.

Mr. MCDADE. Could I go back over them again? The \$20 billion, that is not an argument?

Secretary PERRY. Except it could be more if inflation goes higher by 1996. That is a 1996 problem, not a 1995 problem.

Mr. MCDADE. You decremented the \$1.6 billion that you have to eat in fiscal year 1995, don't you?

Secretary PERRY. That is already accommodated in the budgets, in the programs we have already put together.

Mr. MCDADE. You got relief here and it went over there. You got \$2.0 billion in pay, but you have \$1.6 billion in another area and along comes inflation and pulls you down \$1.6 billion.

We see that in this town a lot.

Secretary PERRY. It is awfully hard for me to argue that a bigger defense budget would be undesirable. It is just not in my heart to say that. This is a tight budget and any of the things you talked about could put us in a bind.

Mr. MCDADE. Let's go back over and see which ones you agree or disagree with.

I mentioned pay. Would you agree?

Mr. HAMRE. Only on 1995.

Secretary PERRY. Yes.

Mr. MCDADE. The \$20 billion in inflation based on \$2.25?

Secretary PERRY. Outyears, 1996 and beyond.

Mr. MCDADE. You say it has been accommodated. You had to take it someplace.

Secretary PERRY. Yes, but it is in the budget, whereas in 1996 and beyond is not in the budget. I am trying to draw a distinction there.

#### SAVINGS FROM REFORMS

Mr. MCDADE. \$8.5 billion in procurement requirements?

Mr. HAMRE. No, sir. You are speaking of the allocation that was in the overall Federal budget when it was submitted. I thought it was \$10, \$12 billion whatever the number. I don't know that that is allocated to any specific departments.

Mr. MCDADE. It is \$12 billion in BA and \$10 billion in outlays. You have about 70 percent of the procurement—

Mr. HAMRE. We are approximately 70 percent of total procurement although that savings is very much earmarked toward electronic commerce and things of this nature. I believe that OMB has estimated that our share for fiscal year 1995 would be in the neighborhood of 45 percent as opposed to 70 percent.

We are working with them to identify what that would be. There are no assumed wedges of savings for acquisition reform, financial management reform in the budget that we are submitting to you. The detailed programmatic has no unspecified wedges in it, sir.

Mr. MCDADE. That number was essential to meet the budget cap, wasn't it?

Mr. HAMRE. I am not trying to duck that, but OMB put together the overall Federal budget. We are only 18 percent of it.

Mr. MCDADE. We will come back and get a number we agree on. The pay raise that we talked about based on 1 percent, you recognize what that number is?

Secretary PERRY. Yes, I do.

#### SHIPBUILDING FUNDING

Mr. MCDADE. What about Admiral Kelso and his comments about shipbuilding?

General SHALIKASHVILI. I am not sure that I can comment on the statements you relayed that he is short that amount in this budget year. I think the budget submitted to the Navy covers all the programs that he has—

Mr. MCDADE. He says he has a \$3.5 billion per year shortage for the next 5 years in shipbuilding and aircraft in his accounts.

Mr. HAMRE. I believe what Admiral Kelso is referring to—and it is something that they had taken a lead on—is recapitalization of the Navy for its long-term modernization. I believe that that is a steady-state estimate of what would be required if you were to do it on a level basis through the five years.

We have a 20 percent increase in the investment accounts in the last 3 years of this FYDP. It isn't level funded through 5 years, but we do have the increase in the outyears. We are spending most of our resources now getting down in force structure and end strength so we can accommodate the growth in the outyears of the FYDP. It is calculating what would be the steady-state modernization requirement as opposed to tailored year by year.

Mr. MCDADE. I ask permission to insert into the record the Admiral's comments and I will furnish you with them.

Mr. HAMRE. I would like to work it through to make sure we all understand.

Mr. MCDADE. Thank you, Mr. Chairman.  
[The information follows:]

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## Budget squeeze brings howls

It is probably no coincidence that three hours before Defense Secretary nominee Bobby Inman bowed out — citing among other reasons a budgetary disconnect between future budgets and force levels — the Chief of Naval Operations was making the same point.

Adm. Frank Kelso told a press briefing the proposed Navy budgets for fiscal years 1995 to 1999 will leave the service about \$3.5 billion short on two crucial procurement accounts — shipbuilding and naval aviation.

Kelso indicated the shipbuilding budget over the five years will average \$6.3 billion per year while the requirements to maintain the force levels outlined in DOD's Bottom-Up Review demands \$8.4 billion.

Kelso broke out the shortfall:

	FY 1995-99 Average	Future Requirements
DDG-51	\$2.7 billion	\$2.3 billion
CVN/refueling	1.2	2.0
SSN	1.2	2.2
Amphibs	1.0	7
Other	2	1.0
<b>Totals</b>	<b>\$6.3 billion</b>	<b>\$8.4 billion</b>

For aviation, the mismatch is \$1.5 billion per year, and is dominated by the need for more F-18 aircraft, as follows:

	FY 1995-99 Average	Future Requirements
F-18C/D/E/F	\$2.2 billion	\$3.1 billion
CV & SPPT	.9	.5
USN & USMC helos	.1	.3
AV-8B	.3	—
V-22	.6	1.0
JAST	—	.6
APN S/M7	2.9	3.0
<b>Totals</b>	<b>\$7.0 billion</b>	<b>\$8.5 billion</b>

The APN (aircraft procurement, Navy) S/M7 account includes modifications, spares and support. For the past three years, it has run about \$2.5 billion annually.

The Navy will attempt to make up for the perceived shortfall by continuing its "recapitalization" strategy of cutting infrastructure and reducing force levels. Kelso also said the Navy will be an aggressive player in the next round of base closings set for next year.

Kelso admitted the recapitalization is not without risk. Base closures could be thwarted back due to political considerations, or its costs might be underestimated. New programs could "suffer from unanticipated inflation," while the impact of a declining industrial base could force costs to rise.

Other threats to the Navy plan include the potential for a higher operational tempo, causing problems in retaining qualified sailors, or what Kelso called "DROF turmoil." The Defense Business Operating Fund — established in 1991 to buy services and commodities not included in budget line items — has caused multi-billion dollar headaches for the Navy (NAVY NEWS, 4/26/1993).

The final and worst-case threat to matching Navy finances and force structure is increased military erosion in the world.

Kelso cited several on-going ways the Navy is looking at to reduce expenditures, including the accelerated retirement of older ships and aircraft, the consolidation of training, elimination of the Navy's "Aggressor" squadron, reduced operations for aircraft carrier anti-submarine helicopters, regionalizing maintenance functions, moving ship maintenance from tenders to shoreside facilities, and dropping the number of tenders to four from 13.

It is uncommon for the Navy's ranking officer to make critical on-the-record comments concerning his upcoming budget submission. That Kelso was willing to "go public" might indicate he believes time-check Defense Secretary Les Aspin — who resigned for the same budget/force mismatch that Inman cited — has abandoned the fight for enough money to achieve the force levels outlined in the Bottom-Up Review.

## OPTEMPO

Mr. MURTHA. Let me add to what I have heard from the fleet. A couple of Navy four-stars I talked to felt they could not fund the operational tempo of the number of ships that we are even getting down to. We are starting to get comments from the field of shortages in all types of things, but OPTEMPO is what one four-star in particular was concerned about and said that he felt, if I remember, 250 would be about the level he felt we could operate at with the money that they had available. I am not sure what point he was talking about, but he seemed to feel it was in the very near term.

With that, I will turn to Mr. Hefner for any questions he may have.

## BUY AMERICAN PROVISION

Mr. HEFNER. Thank you, Mr. Chairman.

I would also like to welcome you to the Committee.

I have some concerns about quality of life. As Chairman of Military Construction, we have real concerns about the big hit we took last year on the rescissions, and we hope that your budget is going to reflect some help in these areas.

I have read some of the proposals that have been floating around that indicate you are trying to eliminate the Buy-American provision that we fought so hard to keep in for all these years. I point out that there are a lot of small contractors and small business people within our country that would be effected and I think to lose that base would be detrimental to our overall effort. I strongly urge you not to go that route.

My primary concern is with military construction, quality of life, and family housing. It is not one of the sexy items, but in my view, it is something vital for retention of our armed forces and to keep the morale of our troops up. I hope you will take a good hard look at that so we will be able to not continue on a downward spiral, but to stabilize where we can do some things we very much need to do.

Welcome to this hearing. We are happy to have you here today.

Secretary PERRY. Could I make one comment about the Buy-America provision?

Mr. HEFNER. Yes.

Secretary PERRY. I am not familiar with the status of any recommendations to take that out. It would be a part of our acquisition reform process if it is happening.

Let me give you the rationale of why it would be considered. We have hundreds of special provisions written in each of our contracts to put restraints on how the contractor can do his business. Buy-America is one.

There is a whole set of socioeconomic provisions, each of which are put in to accomplish a very desirable objective. The net effect of them, though, is that we impose our contractors such a complex way of doing business that not only is very expensive, but many cannot do business that way, particularly the small businesses.

To the extent we are successful in our acquisition reform changes in legislation, it is going to require making simplified contract pro-



cedures and the largest beneficiary of that I can state with confidence will be small business. That is, many small businesses not now able to do business with DOD will be able to in the future.

The reason they are not able to is they cannot afford the staffs required to verify compliance with all the provisions. That is where all the red tape and all of the overhead comes in. It is not that the provisions are objectionable; it is that once you put provisions into the contract, you have to have a way of checking compliance with them and that means the contractor has to establish a large and expensive recordkeeping system and people to manage that or to deal with government auditors to make sure that he is managing right.

That is what drives many of the small businesses out of the ability to do business with DOD. I will look at that particular provision.

[The information follows:]

The Department of Defense endorsed the Section 800 recommendation that commercial items and simplified acquisitions be exempt from the application of the Buy American Act. Informal discussions within the Administration, and with interested and affected parties, made it clear that such a recommendation was not practical. Accordingly, the Administration decided instead to seek: (a) an exemption for micro-purchases (those purchases under \$2500); (b) clarification of 10 U.S.C. 2533, by proposing additional considerations the Secretary of Defense must make when determining whether to waive the Buy American Act under current law; (c) modifications to 10 U.S.C. 2534, which includes specific restrictions on Department purchases; and (d) a change to utilization of the "substantial transformation test" for determining whether information systems and components are "American."

Mr. HEFNER. We are very reasonable people on this Committee. We understand the problems that you have.

If you come from a textile area like I do, where we have lost so many jobs that have moved offshore you become very sensitive to Buy America implications. I can assure you we will help you reach your goals with these reforms, but we don't want to absolutely devastate the Buy-America provision because it is important and something that we could retain if we had to go to a vote on this committee and in the House.

But we don't want to get into a confrontation with you. We want to work with you.

Secretary PERRY. I appreciate that, Mr. Hefner. I assure you we have the same objectives. We may have different methods of achieving those objectives.

Mr. HEFNER. Talk with us before you do it.

Mr. MURTHA. Mr. Livingston?

#### READINESS ISSUES

Mr. LIVINGSTON. Thank you, Mr. Chairman.

Mr. Secretary, General, welcome. We are glad to have you here and look forward to working with you.

Like Mr. McDade, I have some concerns about whether or not we are capable of really fulfilling the goals. We have great goals here. We want to maintain the readiness, yet we acknowledge in the real world that the budget is going down.

I would like to throw out a few examples of why I question whether or not it can all be done. The force structure, for example, you say is going down by 7 percent and yet we are maintaining our readiness. I don't know what the position is now of the Army, but

the Chief of Staff of the Army told me six months ago that if they drop below 560,000 people in the Army, they couldn't do the missions, yet even with the base force reduced by 12 divisions—I understand that is 540,000—the Bottom-Up Review takes us to 10 divisions.

I am told that that is around 495,000. That leaves a shortage and I don't understand exactly how that can be done. That is one point.

Secondly, we know that the Base Closing Commission in their wisdom has made some rather critical decisions with respect to bases all around the country and that they are going to be called upon to do one more, as you have mentioned in your opening statement, Mr. Secretary, but one really galls me because despite the promises that are made, for whatever reason, ostensibly political to keep Homestead Air Force Base open, it is a decimated base.

It can't do what it is supposed to do without spending millions of dollars, maybe as high as one billion. That is millions out of infrastructure, millions out of readiness that seems to me to be totally unnecessary; especially in order to keep Homestead Air Force Base, you probably are going to have to close the very functional, viable bases somewhere else. That concerns me.

Thirdly, I understand on the House Floor within a matter of minutes, maybe a couple of hours, Representative Bill Ford is going to be offering an amendment to the education bill which will cut close to \$600 million out of your readiness budget.

Mr. Secretary, despite your claim that your current figures say that O&M funding goes up by 5.6 percent and that the budget fully funds service OPTEMPO, he is going to take \$560 million or \$600 million that you haven't even thought about and apply it to additional impact aid for kids all around the country.

Great goal, but how do you fulfill what you are trying to do with the figures you have today if that passes?

Finally, one other example—Dr. Hamre and I have spoken about this and others have spoken about it; but we have asked the DOD for the last couple of years to justify the figures of cost savings for consolidation of management operations, computer operations and the like by telling us how they are going to save money by their future plans to consolidate when they are closing down existing agencies and offices that have been declared extremely efficient and cost saving.

Yet, despite language in the bill and in the report, we have not received any explanation or any insertion into the record that there really will be cost savings with these new plans. All of these just make me wonder how in the world, if we are taking from one pot and giving to another, and moving things around and solving political problems, how can we really rationally say we are going to maintain the readiness and not cut into the bone, into the muscle of our armed forces, leaving them less capable of doing the job that they have been so wonderfully doing in the last 15 years?

#### HOMESTEAD AIR FORCE BASE

Secretary PERRY. A few comments, Mr. Livingston, on the various questions you raised. First of all, relative to the Ford amendment or the Mink amendment, either one, I am opposed to it.

Secondly, relative to the dollars for Homestead in the budget, I don't have exquisite detail of every issue in the budget in my head, but I don't believe we have even as much as \$100 million for Homestead in the whole FYDP plan that is in front of you; so I have no idea where that \$1 billion figure comes from.

Mr. LIVINGSTON. The estimate was to restore it to its former capability.

Secretary PERRY. I imagine that is correct, but we are not going to do that. I have been to Homestead and I sympathize very much with the plight of that community there, but I have told them flatly that we are not going to restore that as a full Air Force base again. There may be people requesting that sort of funds for the budget, but I would not approve it.

Mr. LIVINGSTON. We talked about force structure with respect to the Army. I won't put you on the spot with the management stuff. We will take that up at a later time.

Secretary PERRY. I would suggest that this Committee may want at sometime in the future to schedule a separate briefing or hearing on the financial management reform program which Mr. Hamre started a few months ago. I think you would be very interested in hearing that.

#### ARMY FORCE STRUCTURE

General SHALIKASHVILI. If I may continue for just a minute, Mr. Livingston, on the Army's force structure. Having had a number of discussions with the Chief of Staff of the Army on that issue, one very important thing to keep in mind, and I think most of his discussion on that subject is based upon the premise that with all the things that are ongoing today—with the peacekeeping operations in various places, the humanitarian operations in various places—that that requires a force structure that he articulated would not be able to do, two nearly simultaneous major regional contingencies.

I think with respect to that, he is very correct. One of the main premises of the Bottom-Up Review, the main difference between that and the base force, is that early on and very visibly the Bottom-Up Review acknowledged that if we get into two nearly simultaneous major regional contingencies, it is no longer possible with this lean force structure to be involved in peacekeeping or humanitarian operations, and therefore what you have to do is, as soon as the first major regional contingency arises, you have to withdraw your people that are involved in other things that previously you could continue doing. You will no longer be able to do with the Bottom-Up Review force.

We are mindful that that too has a cost with it because that requires strategic lift to bring them back. There is a refitting aspect involved before you can fit them back into their old units so those units then can be ready to go to the second regional contingency. So the Chief of Staff of the Army and others who spoke to that issue were correct when they said you can't do all that you are doing now and be able to do two major regional contingencies simultaneously.

We are assuming a greater risk than we did before because we have to bring the people back and fit them into their old units. I

know that is probably not a very satisfactory answer, but the lean force structure forces that premise.

#### U.S. FORCES IN BOSNIA

Mr. LIVINGSTON. You said that we could do all this with an acceptable risk. You use the word risk again. I want to focus on that word. It is a very real one. At some point if the cuts keep going and we are not able to support the troops in the field, the risk moves from the acceptable category to the unacceptable category.

I am not sure I agree with you in your statement that Haiti is of great national interest. I think it is important, but it is not of great national interest. I am not sure that we need to be deploying our troops to Haiti. I am glad we are pulling our troops out of Somalia.

I am concerned about the prospects in Bosnia, but am delighted that the President's plan seems to be working right now. Long term I am concerned the Russians are moving in and maybe they have been with the Serbs a long time. When you look at the world scene, it is not getting easier. It is getting more difficult.

We just have to be very, very alert. I know I share the expressions that you have made today, that we don't at some point make that risk unacceptable. I urge you when—we raise some issues along the line and it is all with the help of contributing to the common good—that we seriously consider that we just don't do things for political reasons, we do them because they genuinely contribute to the well-being of our armed forces.

[CLERK'S NOTE.—Questions submitted by Mr. Livingston and the answers thereto follow:]

#### SEALIFT FUND

*Question.* Mr. Secretary, there have been press reports indicating that fairly large sums may have been considered for transfer from the sealift fund to pay for DBOF shortfalls. These reports indicated that this may have occurred during DoD's efforts to finalize the FY 1995 budget. I hope there are no plans to address DBOF shortfalls with FY 1994 money. Can you provide details?

*Answer.* Mr. Livingston, I can assure you that no plans have been developed nor are any plans being contemplated to utilize FY 1994 Sealift Funds to fund shortfalls in the DBOF. As you are aware, DBOF shortfalls which occur during the execution year normally are recovered in the next budget year by an increase in budget year stabilized rates. However, the FY 1994 Omnibus reprogramming action will contain a request to reprogram funds to partially finance prior year losses in the Navy Depot Maintenance business areas.

#### LOGISTICS OVER THE SHORE MISSION

*Question.* General, I am told that the Army plans to remove from their inventory the LACV-30 craft (air cushion vehicle landing craft). These slower air cushion landing craft were procured by the Army in the early 1980s to get critical supplies, equipment and logistics support to our troops after they have landed. They are critical to our larger sealift capability when we don't have sophisticated

port facilities available like Somalia. We were lucky in Saudi & Kuwait. Has the JCS reviewed this issue? What is the JCS position?

Answer. The Joint Staff had not reviewed this traditionally Service-oriented issue prior to your query. However, the Joint Staff has since reviewed the issue at my direction. The Joint Staff concurs in the Army's position as sufficient other systems meet mission requirements. The Army is prepared to give the Committee background on this decision.

Question. What craft do we have to replace this capability? Our attempts in the past to upgrade the LACV-30s or to replace them have been canceled in the past by the Army.

Answer. The Army will fill the mission void created by the retirement of the LACV-30 with the combined use of its Logistics Support Vessels (LSV), Landing Craft Utility (LCU) vessels, Landing Craft Mechanized (LCM) vessels, the up-graded Lighter Amphibious 60-ton (LARC-60), and Modular Causeway Systems. The Army in March of 1993 determined that the \$132M LACV-30 Service Life Extension Program (SLEP) was no longer a prudent investment since it could not meet the established goals. The goals were: to increase payload to 50 tons; to reduce operating and support cost by 50% to increase operational readiness by 50%; and to enable to vessel to be prepositioned in a fully assembled operational condition. Of the four goals only the increase of payload could be accomplished. As a result the decision was then made to eliminate the LACV-30 and its associated force structure.

Question. Can these craft operate in sea state 3 weather conditions like the LACV-30 can?

Answer. Of the watercraft used to fill the void created by the retirement of the LACV-30, the LSV, LCU, LCM, and LARC-60 have the capability of operating in sea state 3. Recent Logistics Over The Shore (LOTS) and Joint Logistics Over The Store (JLOTS) exercises have shown that the limiting factor in operating in sea state 3 is not the capability of the equipment but the safety of the personnel and damage to the vessels being off loaded.

#### ACQUISITION REFORM—CLAIMS PROCESS

Question. Mr. Secretary, I am happy to see your efforts to reform the DoD acquisition system. Do any of your reforms or recommendations include specific changes to accelerate the claims process, not only at the Armed Services Board of Contract Appeals, but also at the service or contracting officer level? We all have horror stories, and I realize thousands of contracts make it through the process without claims, appeals, etc. But, small businesses who have to hire lawyers for a case that can't even go to court before 2 to 3 years—they go under, time after time. It may not be intentional, but the government can wait them out. One answer may be putting more money to people handling the caseload. If so, can we get those types of recommendations out of the Department?

Answer. The Department is concerned with improving efficiency in the claims process. To address this issue in part through statutory amendments, the Department is recommending an increase in the threshold for claims certification to \$100,000. The Department also recommended an increase in the threshold for streamlined, small purchase claims procedures to \$25,000. Other issues regard-

ing internal claims management by individual agencies will be addressed as part of our overall effort to enhance contract administration within the DoD.

*Question.* What about the situation where the same contracting officer, who has responsibility for a contract, is 9 times out of 10 the one who is most heavily involved in any claims process that may arise. He or she is the one who determines if a claim is settled or denied—thus starting the long appeals process. Then during the appeals process, the same contracting officer, in many cases, is still involved. Are there any reform recommendations to address this type of situation? How can this situation be addressed?

*Answer.* We as yet are not aware of any specific concerns nor any specific recommendations to address this particular issue.

*Question.* Provide for the record the statutory and regulatory sections (Federal Acquisition Regs, etc.) that apply to time frames for appeals, contracting officer time lines for acting on claims, contracting officer involvement in the claims process as well as any appeal process, and contractors' rights to request change of venue or contracting officer jurisdiction over a claims case.

*Answer.* The Contracts Disputes Act of 1978 (41 U.S.C. 601-613) as amended by the Administrative Dispute Resolution Act (P.L. 101-552) and implemented in Federal Acquisition Regulation (FAR) Subpart 33.2, "Dispute and Appeals" and Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 233.2, "Disputes and Appeals" and 233.70, "Certification of Claims and Requests for Adjustment and Relief" govern the conduct of Department of Defense contract claims and appeals. Copies of the appropriate FARs and DFARS sections are attached.

[CLERK'S NOTE.—End of questions submitted by Mr. Livingston.]

#### DEPLOYMENT OF TROOPS

Mr. MURTHA. One of the things also that people forget is the support tail it takes to deploy troops to areas like Bosnia. We talk about 25,000 troops. What would the tail be for 25,000 troops in Bosnia if they were to be deployed there?

General SHALIKASHVILI. Sir, the 25,000 estimate for the old Vance-Owen plan, to help implement that, included all the tail that needed to be deployed to support that force that was going forward. So that was the total U.S. contribution that needed to be forward deployed.

Mr. MURTHA. I am thinking that around Bosnia now we have about 9,000 troops. Isn't that the number of U.S. troops that are actually deployed in that general vicinity?

General SHALIKASHVILI. Yes, sir.

Mr. MURTHA. We are only projecting a very small force with the air over flies and the resupply and so forth. So it takes a lot of people to project a few people onto the ground.

General SHALIKASHVILI. Yes, sir, that 25,000 is combat support and combat service support to forward deploy. Clearly there will be combat service support organizations both in Germany and in the United States supporting that force. Yes, sir.

Mr. MURTHA. Mr. Visclosky, I mentioned before the job you did on the C-17 and the work we have asked you to do this year which is some of the most important work we will do. I hope, Mr. Sec-

retary, that you or somebody on your staff will work with us because I see with the shortage Mr. McDade talked about, and with the concern that Mr. Livingston talked about, we are going to have to make some decisions this year in order to make up for some of the losses which I think will come about.

I just don't see us getting there with the projections. I hope the projections are true, but I am afraid they aren't. That is why Mr. Visclosky is looking at industrial base and projects that will be so important to our markup in the end.

#### NEW ATTACK SUBMARINE

Mr. VISCLOSKY. Thank you, Mr. Chairman. You have taught me many things, one to be punctual, and the second is never to leave a room once you are in it.

I want to associate myself with Mr. Hefner's remark on the Buy America provision. I represent a district that has lost over 38,000 jobs since 1977. Our average wage rate has declined by over 20 percent, and I strongly associate myself with the sentiments expressed by the gentleman from North Carolina.

You have mentioned in your testimony the Seawolf submarine. I understand that the Center for Naval Analysis recently completed a study on the cost-effectiveness of a new attack submarine, and the results of this study they say were fairly inconclusive as to the benefit of creation of a next generation submarine. What is your position relative to the study—

Secretary PERRY. That has been a matter of a detailed and intensive study in the Defense Department and is still ongoing. Mr. Hamre can give you an up-to-date report on that.

Mr. HAMRE. The study was done to look at not only the immediate cost comparison of a new attack submarine versus the Seawolf, but also long-term modernization requirements. I believe that the study concluded that in the long run, we have to take that kind of a perspective for things like submarine production, the Seawolf or the Centurion class if we were to proceed with it right now would first see operational cruise in the year 2010, a very long-term horizon.

The Navy concluded we must have a more affordable ship for long-term acquisition vis-a-vis the Seawolf and that it is cost-effective to proceed with a brand new design, sustain the industrial base as long as we produce a flight of 10 submarines in the long run for the new attack submarine. We are going to do that.

We have a long-term force structure requirement of 45 submarines. So when you say it is equivocal, I don't believe it is equivocal when you put the study in its proper perspective. We clearly need to get on with the replacement submarine program in a form that sustains the industrial base over the long term.

Mr. VISCLOSKY. So from an industrial base standpoint, the Department would support construction of a third Seawolf, but a continuation of the developmental program for the attack submarine?

Mr. HAMRE. The new attack submarine is in its early phases of design. If we were to sustain the industrial base and all the elements, not simply the design element, it would be possible to sustain the 700 engineers involved with the design of a submarine simply by going ahead with a new attack submarine, but that does

nothing for the qualified shipyard, the qualified subcomponent manufacturer, the specialty welding capabilities that are essential for nuclear reactors and reactor components.

To sustain that industrial base so it is available when the first new attack submarine can be built does require the SSN-23.

#### REFITTING SUBMARINES

Mr. MURTHA. One of the things we suggested last year in our conference was to look at the possibility of refitting some of the SSN-688's, which are some of the most modern submarines. I don't know if we mentioned the Tridents. Can we incorporate a refitting? Have we looked at that at all?

Secretary PERRY. Yes, we have considered that, Mr. Chairman. The refitting could give us more modernized SSN-688's, but we are retiring SSN-688's now as fast as we can. We have a surplus of SSN-688's and some of them being relatively modern. The reason for building the Seawolf was not to get another modern submarine. It is to keep assembled the team with the very specialized production skills, the manufacturing skills in particular involved in making—

Mr. MURTHA. Refitting would not do that?

Secretary PERRY. No. I point out that in the tank case we are proposing refitting for doing that. I think the very special skills of the nuclear submarines are just that much more complex.

Mr. DICKS. The submarine has critical subcontractors—

Secretary PERRY. The industrial base we are talking about is the first and in some cases the second-tier subcontractors as well as the prime contractor.

Mr. MURTHA. I hope you will meet with Mr. Visclosky because he is going to be the key person in making that recommendation.

Secretary PERRY. We will be happy to do that.

Mr. VISCLOSKY. The tank would not be analogous to the submarine issue?

Secretary PERRY. There is some analogy but the construction techniques in the submarine are so highly specialized.

Mr. VISCLOSKY. But you could maintain these on a retrofit basis?

Secretary PERRY. Just one of the points about the submarine is a factor which makes American submarines the best in the world is their quietness. That quietness comes from thousands of small engineering details, not some special trick, about how they are put together. If you once lost the team that built those kind of submarines, it is questionable whether you would be able to maintain the recipe by which that quietness was maintained.

Mr. HAMRE. Another element where they are dissimilar between the submarine and the tank industrial base, the modification program would not in and of itself be sufficient to sustain the industrial base in the long run but complemented with foreign sales which are ongoing, it is able to sustain the base. We do not have that in the case of the Seawolf or the attack submarine.

#### AMMUNITION INDUSTRIAL BASE

Mr. VISCLOSKY. We talked about submarines and tanks. The Committee asked the Department to return to us on March 1st of this year on the ammunition industrial base issue. I recollect that



we were spending about \$2 billion before, your budget is \$844 million for 1995. What other areas—you talk on Chart 8 about the elements of the industrial base that are key. Those would be three.

Would there be others generically that would come to mind now?

Secretary PERRY. Yes. The ammunition base is at the top of the list because the drop in support for that ammunition base has been as precipitous as anything else in the business and it is a unique capability, there is nothing like it in the commercial field. So maintenance of the ammunition industrial base is a major issue.

We do have an intensive study on that under way right now. I don't remember the date on which that is to be done.

Mr. HAMRE. I think March 1st, but there are a number of factors that were involved besides simply the procurement account. One of the key questions for the ammunition base which is being addressed in a different forum that Dr. Perry directed was to look at ways in which companies can cooperate together without being in violation of antitrust procedures.

This is a new thing that we have to explore. There is an ongoing panel that has been set up under the Undersecretary for Technology and Acquisition to look at that question. I think that is part of the reason why there has been a delay in being able to respond to you.

I think in the long run that will have to be a very large element of any sustaining program for the ammunition manufacturers.

Mr. DICKS. One other area that I would urge you to look at in the same respect as it relates to industrial base is the Bomber Force. Right now we are coming down to the end of the line on the B-2 bomber, we have 18,000 people who are working on this, with a tremendous industrial base capability spread around the country.

Frankly, when you start looking at the numbers of bombers, I am very, very concerned that we are not going to have adequate numbers of bombers for any of these regional scenarios, that we are taking the bomber force down to such a low level that we are going to have a hard time winning one regional contingency, let alone two.

I would hope as we go through the industrial base issue, that you'll take a serious look at the loss of our bomber base. Given that the B-52's are very old and we are taking them to a lower level, that with the inherent problems in the B-1 that the Congress has to address to give it a conventional capability—we are moving on the B-2 in terms of conventional capability—but how would you start over?

It seems to me you have the same inherent problem as you have in the submarine. It takes a long time as you know, Mr. Secretary—you got us started on this in the spring of 1980. I remember when this Committee was first briefed on the B-2. It has taken a long time to be able to produce the first 15 or 16. We had to re-start and come back and start another bomber.

I think you have to take a look at this. I think it is the same kind of problem as the carrier, the same kind of problem as the submarine and should be looked at in the same context.

Secretary PERRY. I agree.

Mr. MURTHA. Mr. Lewis.

## TRAINING AND RETRAINING OF FORCES

Mr. LEWIS. Thank you, Mr. Chairman.

Secretary Perry, I want to join my colleagues in welcoming you here and expressing my congratulations for this new assignment. Having a person of your background and demonstrated capability as well as commitment to something more than a hollow force is extremely important to me.

The fact that your history reflects an emphasis on keeping us on the cutting edge of technology as we attempt to tighten our belt over time is very critical to our national security.

But beyond welcoming you, I wanted to ask the question about the Bottom-Up Review that takes us to a significant reduction in force. That is a part of our reality. Without doubt, we will never get to these numbers without a significant reduction in force.

Such reduction presumes that the existing force, that which continues, must be not only well trained, but constantly retrained as well. We learned that in the Middle East.

I presume then that this budget reflects significant emphasis upon training and retraining and I would like to know details about that. Is your budget increasing here? What are your plans? What priority do you give it?

Secretary PERRY. Let me start by saying that I completely agree with the emphasis you have placed on that.

Let me ask Mr. Hamre and General Shalikashvili to comment on that.

General SHALIKASHVILI. From discussions with the Services, they say it is absolutely critical to retain a very strong training base. When we often talk about the numbers of people that we retain—and we talked earlier about the Army numbers—part of those numbers were not just numbers that go into divisions, but also have to sustain the training base to be sure we have the training centers and the schools, that we have the resources to continue running our combat ranges that have, I believe, given us the edge over anybody else.

I am satisfied that in this budget we protect those. I am satisfied that as we look at the money that is being made available, for instance, to Europe, that forces there are combat ready. Combat Maneuver Training Center (CMTC) is one of the things that will be touched last because they have recognized the importance of it.

From my perspective, I am satisfied that the budget protects that. I think it is equally important that the Services, as they make those tough judgments, are forever reminded that it isn't just the best tank, but it is the best tank driver and gunner inside the tank that makes the difference, and we must protect the training base with every bit of courage that we have.

Mr. HAMRE. That was one of the central reasons why we increased funding in the O&M account this year, up 5.6 percent. That accommodates a lot of things besides training, but there is 2 percent real growth directly in the training areas last year to this year. It is a very important thing.

Referring to the point Mr. Livingston raised of the \$1.7 billion that was increased in real terms, \$1.3 billion of it is in the Army because of the problems the Army is having.

Mr. LEWIS. Directly related to that, we were discussing the impact of base closing. There is a built-in presumption on the part of some of us here, that you can actually get the services to work with one another, to share facilities, training bases, depots, et cetera.

I don't have all the faith in the world that the services will easily do that. Could you tell me what priority you are giving, what you think will happen relative to getting the various branches to actually cross-use facilities, cross train, join, for example, the NTC with the Marine base itself?

#### DEPOT MAINTENANCE

Secretary PERRY. This is a very difficult problem. I think we are making progress on it. I would like to ask my colleagues to give their opinions on it.

In the area of depot maintenance, which is the most difficult area to get cross servicing, we have had a number of cross competitions in the air maintenance depots in the last year and they have shown some significant cost savings to the government from introducing that competition where Navy and Air Force depots are both available to bid on depot maintenance activities.

John.

General SHALIKASHVILI. I am afraid that in the four months that I have had an opportunity to look at that as the chairman and see how I can get engaged in it, my conclusion is that we are not doing nearly enough, that we are not prepared to break "sacred china" in order to move on that.

Mr. LEWIS. In southern California, I know of a major depot that happens not to be an Army depot, but I doubt that you have the kind of strength within your little office to get that kind of thing accomplished, but I do urge you to try.

General SHALIKASHVILI. When I was Division Commander of the Ninth Division, one of the places we used to go to train was in California at the Marine base, Twenty-Nine Palms.

Mr. LEWIS. I have heard of that place.

Mr. DICKS. I have been there.

General SHALIKASHVILI. We have done some of these things, but it is a novelty instead of becoming a routine.

#### CONSOLIDATING ACCOUNTING CENTERS

Mr. LEWIS. In connection with that consolidation question, an item involves the huge accounting processes in the DOD and the discussion of consolidating those accounting centers.

Are you about that? Is that going to happen?

Secretary PERRY. The man responsible for that is sitting to my left.

Mr. HAMRE. Sir, when the Defense Finance Accounting Service was formed slightly over three years ago, one of the central mandates was consolidation. There were 7 major finance and accounting centers and approximately 300 field offices.

Of the consolidation, one of the major centers has been removed, has been consolidated, and another is scheduled through the BRAC process to be eliminated.

Of the 300 field offices, 96, I believe, will be closed in fiscal year 1995. This is the first major step.

We have 26,000 employees who are currently working in finance and accounting and in our 5-year plan by fiscal year 1998, we will be down to 16,000 individuals.

We have major modernization requirements. We are still in the Dark Ages in finance and accounting systems. I jokingly say in my office the systems we use to put the budget together, the procurement officer was George Armstrong Custer. It is that old.

We are making progress in the field accounting organizations.

May I refer to the decision that is in the announcement of the DFAS site selections for consolidation? That is proceeding.

The surveys have been concluded. The Corps of Engineers have surveyed installations around the country, has finished the technical evaluation and is getting ready to make a report to the Department.

Dr. Perry is the final decisionmaker for that. I expect to make a recommendation to him in the next three or four weeks to make the final selections.

#### FORCE STRUCTURE ANALYSIS

Mr. LEWIS. General, one more item. A group of us at the urging of the Secretary's office and others traveled to Korea, and that brought into focus for many of us in very clear terms the difficult possibility of finding ourselves fighting two simultaneous MRCs.

I intend to join Mr. Dicks as he discusses in the second round the bomber force and some of the problems we have there. I wonder whether within your offices you have gone about simulations that would take what we expect to have to have available in the Middle East along with a side model of what happens if a crisis actually occurs in North Korea.

It seems to me that those two circumstances would overextend our capabilities at the outset, but it certainly demonstrates just how vulnerable we are if we stay on the path this budget would suggest we are going to be on.

General SHALIKASHVILI. We have, in support of the Bottom-Up Review, done that analysis, but not for all systems. Some of the analysis continues.

For instance, the analysis continues in such areas as intelligence, whether we have the intelligence assets; to what degree can we swing them from one theater to the other. We are doing the same thing with communications and command and control assets.

So we have done it with the divisions and we have done it with a number of carrier battle groups, but there are some discrete aspects of it where that is still ongoing. One is to see what adjustments we have to make to our existing Strategic Lift Modernization program.

What we have ongoing right now are two simultaneous efforts. One that looks, together with our Commander in the Pacific and with our Commander in the Middle East, an effort between them and the Joint Staff, to actually war game that and see not only the time lines, but look at their requirements. We are doing it in the first instance in gross order of magnitude and a detailed effort to look at all aspects.

The answer is yes, but not enough, and we are continuing to do that.

Mr. MURTHA. Mr. Skeen.

DUAL USE OF DEFENSE FACILITIES

Mr. SKEEN. Thank you. I welcome you here and I appreciate the efforts you are making. It is an integral part of the defense structure that my district represents, and I think it is extremely important, the budget restrictions I think are very important to us, because I understand that personnel is probably the very first primary consideration that you have, the kind of training and readiness and so forth. But along with that is the technology. And that is what we are dedicated to at White Sands and so forth. I have been very concerned about the drawdown and the ledger programs and some of the rest.

What is your thinking about the future of combined use from the private sector as well as the military? I know it has a good history up to this point of getting combined use. But I am really concerned about the suggestion that we shut off like HELSTF, the pulse laser systems, some of the rest, do away with them by 1995. Would you comment on that kind of technology base and the use of that facility?

Secretary PERRY. Let me give you two different answers, both of them not as conclusive as you would like. First of all—

Mr. SKEEN. I don't think there are any real conclusions, but I would appreciate just a—

Secretary PERRY. I spent many weeks at the White Sands missile test range through the years, and consider it a unique national asset. The purpose for which it was originally developed, we are not using it for anymore. It still has substantial applications in the military field.

I think the very interesting question that you raised is the extent to which we could use it for dual purposes. And as you know, the national laboratories and some of the service laboratories are proceeding with programs and have some funding to develop dual-use programs at their facilities.

That is something that we might look into specifically for White Sands. It would need to be responsive to a proposal that White Sands put together and presented to the Army. But that is something that certainly could be considered.

STRATEGIC AIRLIFT

Mr. SKEEN. It has been done, at least pilot programs, because we do have some private sector involvement. I think it has been very productive for both the military and research development and evaluation systems that you have out there.

I would like to ask General Shalikashvili, you made a reference to the C-17s in Somalia. Congressman Visclosky and I were on the task force that did an evaluation. I was very much impressed with the technology. Yes, we have got some problems with it, but it cuts off one leg of the triad you have had to have in the past about air deliveries.

Could you comment on that, and also other aircraft that might be necessary that we should be looking forward to developing?

General SHALIKASHVILI. On the C-17, I continue to hope that the program will come out okay. As I look at that aircraft and the ca-

pability it brings us to replace the aging C-141 fleet, as I look at the advantage it gives us at the airfield, how many because of the turning radius and other reasons that you can have there at any given time, and therefore how we can increase the throughput, all those things argue that we need to do everything we possibly can to get that program well and bring it on line.

And so from a military point of view, I don't see an alternative to the C-17 that comes anywhere close to being as good. Clearly we have to hedge in case the program does not get well.

But my deep hope is that we can get it well, because it gives us such a vastly increased capability.

Mr. SKEEN. We are going to try to maintain the budgetary support for it, as well as some of the other programs.

I appreciate very much the problems that you folks have. I have enjoyed working on this committee very much with you.

Thank you.

#### U.S. POLICY IN BOSNIA

Mr. MURTHA. Thank you very much, Mr. Skeen.

Mr. Secretary, would you tell us about Bosnia and where we are? As you know, I expressed my concern to the President, and I worry that we will become the enemy there if we aren't careful. I hear rumblings that we are going to spread this from Sarajevo now to the rest of the country. I know everything we do costs a lot more money, and as tragic as the situation is, I worry that we are going to get into a position where we will be forced out in the end by events.

I looked at a possibility of the House of Representatives taking up a resolution in the next couple of weeks to support what the President is trying to do. I think you probably have the least risky scenario that you could possibly draw up and I think it does have a possibility of success. I worry that there is such a great danger, and it is for humanitarian reasons that we are draining our resources, when there is so much war going on every place. I see reports of people being killed in Burundi and of course Afghanistan, and we know about what is happening now in Somalia.

So would you tell us where we are and what you see happening, and if you believe at this point what has happened so far is going to be successful?

Secretary PERRY. Certainly I will comment on that and then ask General Shalikashvili to elaborate on it.

The first point I want to make with greatest emphasis is that the primary thrust of U.S. policy in Bosnia today is a diplomatic initiative, not a military initiative. We have a greatly reinvigorated diplomatic effort. We are banking our major hopes of success on bringing about, facilitating, helping to bring about a comprehensive peace treaty there. So diplomatic initiative is the main point.

Now, with respect to any military initiative which we have considered, at least in the time I have been Secretary, there have been three tests which we have put to it. The first of those tests is, will this use of military power, if successful, enhance our diplomatic initiative? It is foolish to do things militarily that move us backwards. We want to enhance the diplomatic initiative.

The second test is, will they, while the diplomacy is going on, reduce the civilian casualties that are going on?

And the third test, and I cannot emphasize this too much, is, can any use or threat of use of military power be enforced—I emphasize the word enforced—by a combination of NATO air power and existing UNPROFOR ground forces? I want to emphasize the word enforced, as not an empty threat but something we can do.

Secondly, the NATO involvement would be through air power. I am assuming there will be no use of the NATO ground forces sent in.

And third, that the ground forces then are going to be the existing UNPROFOR. I see very little prospect of additional UNPROFOR ground forces going in, and specifically any proposal we make, we might be called upon to provide them, and we don't intend to do that.

If you look at the specific and limited proposal we made to stop the bombardment of Sarajevo, it meets that test. It will help the initiatives we are making, because it indicates the seriousness of resolve on the part of NATO.

Secondly, it has already for the last 10 days made a clear and important contribution to reducing the civilian casualties.

And third, it is enforceable with the NATO air power, and I should emphasize, that did take sizable UNPROFOR forces underground. There are almost 4,000 UNPROFOR forces in Sarajevo, if necessary, to carry out this plan. It does seem to be successful to this point, and we are grateful for that, but I also point out it is a very fragile undertaking, and we are dealing in a very troubled spot in the world.

So we don't have the success of that initiative in our pocket yet. The first goal will be to get that initiative firmly successful and firmly established before we—I believe, before we should make serious attempts at other initiatives. Any other initiatives considered, though, I believe still have to pass those three tests. Those are very difficult tests.

Mr. MURTHA. Do we know if there are any plans for more Russians to be deployed into any part of Bosnia?

Secretary PERRY. Not that I am aware of. I guess the total is about 14,000 that they have in the Bosnia area, out of about 4,000 in Sarajevo. Their response to a request by General Rose, the UNPROFOR commander, was more ground forces to help him carry out the ground part of the no-bombardment statement made by NATO; and as nearly as I can determine, they have been useful in that purpose.

We also believe but cannot prove that the Russians were useful, possibly even instrumental in persuading the Serbs to comply with a NATO ultimatum. The major input they made to them was convincing them that a NATO ultimatum was firm. It would not slip, and we would not back off from it.

Mr. MURTHA. Are there any plans to expand this type of an operation beyond Sarajevo?

Secretary PERRY. Many people have made proposals for that. We are not at this time in the Defense Department laying out specific plans to consider. We are looking at the—as other people propose alternatives, such as extending another safe haven area. But so far

none of the ones we have looked at pass all three of the tests which I have described to you, and therefore we would not support them.

Mr. MURTHA. Any proposal for U.S. ground troops being deployed to Bosnia?

Secretary PERRY. No.

Mr. MURTHA. Mr. Darden?

Mr. DARDEN. Thank you very much, Mr. Chairman.

With your departure from the committee in a few moments, I think I will be the most—

Secretary PERRY. Excuse me, Mr. Darden. I want to remind you that we have proposed if a peace agreement is reached, and certain conditions are met, we would then consider.

Mr. MURTHA. I hope what goes along with that is that they start to move equipment and troops away from the hostilities.

Secretary PERRY. The question has many conditions tied to it, including consulting with Congress.

#### INDUSTRIAL BASE

Mr. DARDEN. Mr. Chairman, I have a couple of matters I want to bring up, and whoever is more comfortable answering the question, if you will just volunteer, rather than specifying one person or another.

Secretary PERRY. Whoever is least comfortable, how about that.

Mr. DARDEN. I want to echo what has been said by Mr. Hefner and Mr. Visclosky about our industrial base. I think it has been adequately and well stated by both of them.

I want to add another concern that doesn't necessarily suggest a response from any of you. But that is in the area of our depots. Certainly they perform a very valuable function in maintenance, and there is a high level of skill there. But there is a concern among a number of Members on the committee that these depots and their personnel not compete with private industry in the area of final assembly, of various weapons systems, and these depots not be put in a position of competing with private industry.

I think they have a very valuable source, but I don't think we are accomplishing very much if we take from our industrial base and turn over functions which have been traditionally reserved for private enterprise to these depots.

So what I want to ask you is, as you make decisions relating to what functions are carried out by the depots and by private industry, I hope you will be very, very cognizant of this concern that a number of us have in this area. Our industrial base, as you know, is primarily rooted in the private enterprise system, and it is very important, I think, to the security of our country.

Secretary PERRY. Yes. May I comment on that, Mr. Darden?

Mr. DARDEN. Sure.

Secretary PERRY. We have an early intensive study under way now on the best way of handling the depot problem. The going in problem is that we have—which there is no way of legislating around or maneuvering around is, we have excess capacity in our depots today simply because our force structure has come down as much as it has. So that causes everybody a substantial problem.

The second problem is that the excess capacity is not uniform in the service, and therefore we are looking—we have proposed and



are pushing, not entirely successfully, competition depot to depot, the so-called cross-servicing, and that is an effort which I am sure that whatever comes out of the study will be a recommendation to push that harder.

Mr. MURTHA. We endorse that. We think that could be very effective, and we know you are having a lot of problems with the services and cooperation, but we endorse that policy.

Mr. DARDEN. Absolutely. No problem with that whatsoever. As long as as government is competing with government, and private enterprise is competing with private enterprise.

Secretary PERRY. Third, we have asked the committee studying it to give us recommendations on the relative role of private versus public in this field.

I will say that I have a going-in problem with how you conduct a reasonable competition, fair competition, between private and public depots. We have done it on a number of occasions, but we do it by making assumptions about equipment costs and so on. So whatever the study includes, they will have to convince me on that point that whatever competition they are recommending can truly be reasonably done.

Then finally I have a concern, and the study will address this concern as well, that we maintain some basic core capability among our depots to sustain us during our wartime periods. Each of the services have been tasked to describe what is their core depot capability, and consideration of the fact that the excess capacity is not only a question of competition with private, that as we go into the BRAC, the base closing area, we want to be able to define some areas where we will be able to maintain the core capability.

That is about as complete an answer as I can give you at this time, Mr. Darden.

#### STRATEGIC NUCLEAR DETERRENCE

Mr. DARDEN. Thank you very much. The next category I briefly want to cover is our strategic nuclear deterrence. Everybody who has ever done any type of study, knows all about the triad and the sea leg and the land leg and the air leg. I guess we have had exhaustive discussions of this many, many hours in this committee and other authorizing committees and so forth.

My question is, in view of the so-called new world order, in view of the threat as we see it today and the changed threats that we have, considering that there is no other superpower now but us, even though some 30,000 nuclear warheads are in the possession of the former Soviet Union and now the republics, is the old theory still sound, do we need a land leg?

Do we need the missiles? Do we need the bombers? Are we rethinking? Is there any reason to rethink our basic concept of strategic nuclear deterrence in view of the situation as we find it today?

Secretary PERRY. Yes, I believe there is, Mr. Darden. We have under way at this time one of the three or four follow-on studies to the bottom-up review. One you have already touched on was the depot study. And the other is the nuclear posture review, which is under way right now.

I will give you some going-in opinions on that, prior to having seen the results of the study, and that is that there will be a dra-

matic reduction in the size of our nuclear forces compared with, say, the mid-1980s. Some of that change has already taken place. More, I think, is ahead of us.

Secondly, I don't believe there is any—I believe as long as we have elements of all three forces active, we would gain some benefits by maintaining the triad. But I don't believe that there is any—I don't see the basis for expending new funds to build new systems just to maintain a triad.

And indeed, if you look at the procurement accounts today, you will see no funds in it for land-based ICBMs. So eventually, if we continue this trend then, eventually the ICBMs we have in the field today will become obsolete and we will be moving over to a force which consists only of sea launch ballistic missiles and bombers.

Now in the case of the bombers, while one could argue that we can get by with only SLBMs and bombers, in the case of the bombers, they are dual purpose. And I think the principal argument for maintaining a strong bomber force today has to do with the application to defensive forces rather than strategic but the bomber is dual purpose, so we can use it for both.

So the input from the review will give us some basis for the minimum number of bombers we need to maintain for nuclear purposes, but I think the principal determining factor on the size of the bomber force is the extent to which we want to use it to support conventional warfare purposes.

Mr. DARDEN. What is your projection of the length of time it will be before the land-based leg is phased out?

Secretary PERRY. In terms of just the obsolescence of the system alone, those missiles will be good for another more than 20 years. We might decide for operational expense reasons to phase them out earlier. But in terms of wearing out, we could use them a good many years into the future.

Mr. Hamre.

Mr. HAMRE. Mr. Darden, there are funds in our budget for some ongoing modernization that is safety related, for example, for a propulsion unit on the Minutemen, as well as to reconfigure them to single warhead systems that involve some electronics changes which will also improve their reliability and supportability over time. Our budget and in the five-year plan would upgrade those to make sure that they are viable until the year 2020.

Secretary PERRY. I guess the other point worth making on that is that the ICBMs as they now—as the strategic force now exists, the ICBMs have some capabilities that you don't find in sea-based missiles in terms of accuracy, for example. But the new generation of SLBMs coming out have close to ICBM accuracy. So one of the reasons for maintaining those forces will go away with the new generation of missiles.

#### AIR FORCE TACTICAL AVIATION

Mr. DARDEN. The last category has to do with the area of tactical aviation, and specifically relating to, first of all, the Air Force.

General McPeak has stated on a number of occasions that the number-one priority of the Air Force is the modernization of the tactical fighter and the F-22, the next generation fighter. Also, this

has been reaffirmed rather forcefully by General Hawley since he came into his present position. So I assume that they speak for you with the strong emphasis of support for this program.

Having said that, we all know the frustrations associated with getting new aircraft programs, and we know the difficulty that has been experienced especially by the Navy with the A-12, now we seem to be floundering around in space somewhere about the creation of another program.

I am familiar with the \$2 billion R&D initiative, I believe you call it JAST, the Joint Advanced Strike Technology. And rather than JAST, have you considered and are you still considering for the Navy an F-22 derivative, and wouldn't it be far better use of this \$2 billion to move toward something in the foreseeable future for the Navy on the order of the F-22 rather than going back to the drawing boards again and again, especially in view of the political climate that we face today, and the realities of beginning a new aircraft program, the expense, the time, and everything else that that entails?

Secretary PERRY. Mr. Darden, we see the F-22 and the JAST as being very different in time frames, probably separated by about 10 years. John might correct me on that number, but approximately 10 years.

And in the F-22, we are about to enter the engineering and manufacturing development phase of the program in just another year or so. We are having, as you pointed out, some engineering problems at this point, not uncharacteristic of advanced programs at this stage.

Assuming that we can resolve those problems, we will be moving towards production of that system in the latter part of this decade, whereas the JAST program is at this stage only a technology program and is focused primarily on advanced subsystems and advanced components.

It is not going to become a real airplane until at least 10 years after the F-22, if it ever does. However, the subsystems and the components could be used to upgrade the F-22 as time goes along, because the relative useful life, particularly of electronic subsystems, is much less than the relative useful life of the airframe itself.

John, do you want to make any other comments on that?

Mr. HAMRE. Sir, the F-22, of course, which was designed for the air superiority mission, and the Air Force applications, it is optimized very much for long-range air interdiction or air strike. It is not designed for the kinds of missions that the Navy would have primarily for air ops off of a carrier, and therefore would necessitate a very substantial redesign of the airframe. Approximately 70 percent of the current development cost of the F-22 would have to be spent all over again to make it into a carrier suitable variant for the Navy.

The Navy has assessed that and has also looked at its long-term force structure requirements and very much has a need to, as I think Mr. McDade pointed out earlier, to buy in quantity aircraft to be able to outfit carrier airwings at the turn of the century. The F-22 would be too expensive to do that in a variant form, so we have opted for the F-18E and F, which is going to become available

in production configuration at the turn of the century. So it has a very different time frame than as Dr. Perry pointed out.

The JAST in the long run would become a modernization alternative after the F-18 is available in quantity for the Navy to support its force structure.

Mr. DARDEN. Are you comfortable with the F-18E and F in the near term as the only Naval fighter? I realize we have got some aging F-14s, but basically that becomes your only fighter.

Secretary PERRY. I am comfortable with it for a good many years to come. I don't know of any—airplane that would be substantial competition to it. The F-18E-F lacks one important capability of the F-22, and that is the stealth capability, and if and when we get to the environment where that becomes of crucial importance, the F-18 will start falling behind.

Mr. MURTHA. The time of the gentleman has expired.

Mr. Dicks, any other questions?

Mr. DICKS. Mr. Secretary, I want to go back to this bomber issue. Now, the bomber road map discusses 84 PAA B-52s and 95 TAL. On B-1 it was 84 and 95, and B-2, at 16 and 20.

Now, I am told that in the bottom-up review, these numbers go down, on the B-52, to 64, 74; the B-1, 60, 72; and the B-2, 16 and 20. Now I have been informed that in this FY95 budget, we are talking about reducing on the B-52 to a number of 40 and 47, which would give us a total of 116 available aircraft and 139 in the total inventory.

Now, first of all, I don't think that 107 is enough bombers to handle two regional contingencies, and there is some concern that the only way you can handle one MRC is if you release the bombers committed to the SIOP, to be used conventionally. Then, you would have no SIOP bombers available whatsoever.

Now, maybe that is rational. We have got the Minuteman 3s, we have got the Tridents. That probably gives us enough nuclear deterrence in the situation we find ourselves in today. But what I am concerned about is that I think we are missing an opportunity here.

In three studies, two done by Rand and one by General Jasper Welch, all three point out an important role for the B-2 the stealth bomber: the interdiction of enemy armor. One scenario would be the one we had in the Gulf War, where, if you had deployed B-2 bombers operating out of Whiteman Air Force Base, with one refueling the B-2s could have interdicted the Iraqi mechanized division coming into Kuwait.

And with the types of smart weapons we hope to have in the future like BAT or the sensor-fuse weapon that can hit the armor as it comes in, you take out a significant amount of enemy forces,—over half of the armor in that division.

Now, we have never had a capability like that. As I read General Shalikashvili's statement, he talks about the fact that as we build this force down, as it becomes smaller and smaller, we must have these new capability to retain the leverage and the strength that we have had in the past.

And so what I worry about, in looking at all these studies, is every one of them says that the B-2 force should be somewhere between 40 and 60, that that is the right number to have.

Now, if we are going to bring down the B-52s, the conventional bombers to a low level, I think we are going to have a very difficult time in this interim time frame of having enough conventional bombing capability. Even with the B-2s now, we are in an accelerated program to convert it to be able to use conventional weapons. The B-1, there is a controversy about whether we are going to do that.

The only thing we have got left is the B-52s, and I am told instead of having 84 we are going to have 40. I think that is a mistake. I think we are going to regret that decision. Because the B-52 is the one aircraft you can put into battle immediately. The F-16s, F-17s, the 117s, all have got to be flown out to that area, of conflict, and you must get all of the equipment there before can you start combat operations. The only weapon that we can "put into play" immediately is the long range bomber.

And so, again, I would like to hear from you on this, I really think we must take another look at this force structure. If we are going down to 107, which I am told we are, I don't think we could win—the analysis we have seen is we lose one regional contingency, and a major regional contingency, we lose all 100 bombers. We have zero bombers left.

So this raises some very serious questions in my mind. Have we taken a serious look at the role of the bomber force in the bottom-up review?

#### LONG-RANGE BOMBERS

Secretary PERRY. Let me make three comments. First of all, the bomber study was one of the annexes of the bottom-up review. It is not part of the bottom-up review. It is part of the posture review that is ongoing, because it is intimately connected to the extent to which the bombers have to go through the nuclear role.

Secondly, I believe the primary argument for the bomber in today's force is the conventional application. That is the criterion on which we should be making the decision for how many bombers we have.

Mr. MURTHA. What is the number of conventional bombers we have available now?

Mr. DICKS. Eighty-four. We have B-52s. That is all we have got. We are going down to 40.

Secretary PERRY. The bombers today are 152.

Mr. MCDADE. Norm's point is, we are on the way to forty 52's.

Mr. MURTHA. Are you talking about B-52? Are you talking about Navy—

Secretary PERRY. B-52s, B-1s and B-2s.

Mr. MURTHA. How many have you got conventional?

Secretary PERRY. I want to make one other point and I will get back to that question in a minute. In order to get those benefits that Mr. Dicks is describing and was called for in both the Rand study and the Welch study, in order to get those benefits, these bombers don't give it to us. We have to equip them with modern precision-guided munitions. That is an absolutely crucial step.

Mr. DICKS. We are in the midst of doing that now.

Secretary PERRY. We are in the midst of doing that. That is a top priority program in my judgment.

Mr. MURTHA. What bombers are we talking about?

Secretary PERRY. The B-2s. But the same kind of systems could be used for the B-1 and the B-52 as well, thereby giving us a much greater leverage in the application of it.

The issue revolves—there are two related issues. The first is, how many total bombers do we need in a force. And the second is, how many of those bombers need to have the special precision-guided munitions delivery capability. Those are the two issues which are reflected in this budget.

This budget brings the number down to 107, which is a big reduction in total number, mostly by cutting the B-1s and the B-52s.

Mr. DICKS. What year do we get to 107? This year? Are we going to 107 this year? Are we going to lay up all the B-52s?

Mr. MCDADE. Going down to 40, I think, this year.

Mr. DICKS. Can you give me a number for the B-52s, the B-1s and the B-2s?

Mr. HAMRE. Yes, sir, we can, but may I suggest that on Monday, I believe, that we are to deliver to the Congress our report on bomber force structure, and I think included in that at the time, it is part of the overall performance review. Part of what we did in preparing our budget was to make sure there were funds reserved in the account for whatever were the reports that were coming out and the Secretary adopts from the nuclear performance review.

We fully accommodated that in the 1994 budget and in the 1995 budget for planning purposes, so you have the flexibility in working with the Secretary to make any changes that you might deem after you have seen his recommendations. We will get you the number on Monday, if we can.

Mr. DICKS. This is next Monday?

Mr. HAMRE. This coming Monday, yes, sir.

Secretary PERRY. It is not just a question of the total number. It is the number which are dedicated to the conventional mission, which I believe is important.

Mr. DICKS. Right. The only other point I would want to make, is the fact that the B-2 can operate autonomously, it can go in first into harm's way without having to worry about—the conventional threat.

The B-52s and the B-1s have to come in after we have established air superiority. And the great strength of the F-117 in the Gulf War was, it could go in there and hit these deep targets without fear of being shot down. One of the reasons why we were able to gain air superiority so quickly, was because we could use stealth.

I worry with 20 B-2s, you simply do not have enough to get the full leverage out of the system, and here we are sitting there with that production line open in California.

I believe that we are going to miss an opportunity here to preserve the option to go up to a number that every one of these studies indicates is necessary.

Secretary PERRY. It is hard to speak against the application you are proposing. The B-2 does what the F-117 did in the gulf war but it does it in the United States and does it—

Mr. DICKS. Eight times as many 2,000 pounders and a great potential for the smart use of sensor weapons.

Mr. MCDADE. We came back and talked to you about our trip to Korea. The basic thing that the Air Force component commander wanted were B-52s. I think the concern we have to work through is that the plan seems to be going down to 40 in this fiscal year as if it is a done deal. And I think we need to hear more from you before that decision is taken, because—

Secretary PERRY. It is not a done deal until this Congress acts on it.

Mr. MCDADE. We have a lot of concerns about the number and what it does through the system. I recognize where we are, but I think this is one of the items we are going to have to talk to you about.

Secretary PERRY. I think that is a fair question.

Mr. MCDADE. We will have to deal with it.

Mr. MURTHA. Let me add to what Mr. McDade said. I sent a letter three years ago to the former Chairman of the Joint Chiefs saying that I felt that we should look at the B-2 as a deep penetrator and look at similar Naval aircraft that we may not need, and try to put this together into a package. I see a real deficiency here starting to build up with bombers, and I hope we would use our imagination a little bit to come up with—

Secretary PERRY. Let me say, Mr. Chairman, I think you and Mr. McDade and the whole committee will get a more detailed response on this question in light of the findings of the nuclear posture review, because the total number of bombers available to conduct a defensive position in Korea, it depends not just on the total but how many we have dedicated to nuclear, and it is quite possible the study will suggest giving a smaller number to nuclear. When we get that answer, we can deal more constructively with your questions.

#### AIRWING AND AIRCRAFT REDUCTIONS

Mr. MCDADE. I want to raise the issue of the airwings too, which is almost akin to it. Your bottom-up review goes down to 20, but I am told after you retire the F-15s and 16s, et cetera, and the lines are going cold, it is going to be de facto down to 18, because there will be no opportunity, just as there is in here to look at that.

I think as we look at the pilot question, it is almost an industrial base question too, where we are going to be with respect to the F-15, F-16, et cetera to get to the 20 wings, so we don't have an unintended consequence of going down to 18 wings, which is an item we are going to have to work through again, too.

Secretary PERRY. This is another fair question. The answer to it depends on the extent to which those lines could be supported until the new airplanes come in with foreign military sales. That is a hard one for us to forecast, and we may be cutting that too close to the line in the forecast.

Mr. LEWIS. Mr. Secretary, this element is critical to our ability to carry out our responsibility here as we shrink this budget and to make sure that air capability is doing all that you would hope that it would do.

Mr. Chairman, I hope that this report comes out and we look at the nuclear things. We might have a hearing on this whole question.

Mr. Chairman, if you would, just for a second, it is important, on another item you know about, important personnel matters, we may not have a chance to get back to this, there are important plateaus sometimes in personnel matters and their lives. And you may or may not be aware—you probably are—one of your key personnel advisers, your Assistant Secretary for Legislative Affairs, is reaching a most important plateau this weekend. I wouldn't say what plateau, but I think you ought to know about it. Just in case.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Visclosky?

#### NONDEVELOPMENTAL AIRLIFT AIRCRAFT

Mr. VISCLOSKY. Thank you, Mr. Chairman.

If I could inquire about airlift options, I understand your 1995 budget calls for about \$103.7 million for the nondevelopmental airlift aircraft. The committee set aside \$100 million for the current fiscal year. Is that meant, from the department's perspective, to be a complement to the C-17 program as we see how that evolves, and turns out during the next 18 months?

Secretary PERRY. I am going to have to turn to my Comptroller to answer that one.

Mr. HAMRE. Sir, I believe the overall plan at this stage for the C-17 is to continue to produce six aircraft this year and in the succeeding year to make sure we have at least an inventory of 40.

At that stage to determine what is going to be the long-term plan for the C-17, and whether it is to—whether the problems have been shaken out and we can proceed with production beyond that or must seek an alternative. If the problems aren't involved by that stage I believe one of the clearer alternatives would be to go to the nondevelopmental alternative aircraft.

At the same time, we have an aging C-141 fleet, and the 141 in itself, in order to avoid collapse in our ability to support ongoing military airlift operations, with the loss of C-141 lift capacity, that this can be a complement as well.

So I think you need to look at the nondevelopmental aircraft as both a long-term alternative, if that is needed, and as a complement to existing airlift if that is required as well. I think it provides the Secretary and the Chairman the kind of flexibility that is needed in the long run to assure that we can sustain military airlift.

It is not an easy, clean answer. Actually there is a great deal of flexibility that has been incorporated in our program.

Mr. VISCLOSKY. If it is nondevelopmental, do you think over the next 20 months you can spend \$203 million?

Mr. HAMRE. Sir, I have no doubt we could spend a good deal more than that. It depends on the scope of work that needs to be done to give confidence of what the various alternatives can do in a military role. Let me give an example.

We know quite well what it takes to cut in a cargo-size door on a 747. The cargo doors that have been engineered for the 747 do not accommodate military cargo. We now have to go through the process of either detailed computer-based engineering analysis or maybe even hard metal mock up, cut out mock up, to find out, can we engineer, and what are the loads impacts on a 747 of a cargo



door that is big enough that you can move a 10 ton—I mean, a five-ton truck through it and turn it around and move it down the center fuselage.

We have not done that yet, Boeing has not done that yet. If it is a 747, or an MD-11 alternative for McDonnell Douglas. So there is a fair amount of engineering work that must be done.

What is not clear at this stage is the amount of engineering work that has to be done or can be done strictly in computers, and computer design, or how much has to be actual mock up and see with real world load analysis.

We made sure we had sufficient resources this year with the funds that were provided by the Congress and what we are requesting in fiscal year 1995 to accommodate a robust analysis, and that can also do some selective hard metal engineering if required to prove out any questions that are unclear from the analysis.

We have to do things on floor strengthening, things of that nature. There is a fair amount of work that has to be done.

Mr. VISCLOSKY. My concern about the project as far as the supplemental would be the additional cost. My sense in terms of the significant change on that load, in the weight, sustainability of the floor, that we are not talking about minor modifications. We are talking about very costly expenditures.

And after the year's work on airlift capacity, my sense was part of the analysis would be not so much on the outsized or oversized cargo, but on some of the bulk capacity that is palletized, understanding that no one aircraft may take off which is involved in outsize and oversize, but the point would be to look at the cost factor, given the fact that we spend \$300 million per copy for the C-17.

Mr. HAMRE. Yes, sir, especially since every—C-5, every time it takes off, it takes off with about 40,000 pounds of dead weight in the structure that was designed at the outset so it could carry heavy cargo. How much of that dead weight structure do you want to put into an aircraft like an MD-11 or a 747 so that it is cost effective to operate in peacetime but still does the job in wartime when you need it? That still requires some analysis, and we have that ahead.

#### TON-MILE AIRLIFT REQUIREMENTS

Mr. VISCLOSKY. Also you are to come back in the fall, as I understand, and rework the ton-mile requirement, based on the department's new scenario. Would that have to be part of your factoring in what the composition of those ton miles would be?

Mr. HAMRE. Sir, I would like to formally task this question through the system to make sure I get a correct answer. We have a whole series of analyses and studies that are required both to release the funds that were provided by the Congress for the C-17 as well as for the nondevelopmental aircraft as well.

I am not conversant with specifically those reporting requirements. I will have that and get it back to you shortly.

Mr. VISCLOSKY. Mr. Chairman, I think I would just make one last point to the General. My recollection of our last conversation on personnel issues was a personal note you made relative to your

five moves back and forth to Europe and the attitude of at least one of the siblings in your household.

And I think in line with a number of comments made by my colleagues, in this time of downsizing and concerned personnel, that we be very careful, both in terms of how the military approaches moves, their concern over day-care, and just that whole range of issues dealing with the individual family, given the evolution of what that normal troop now looks like.

I think it is a very important issue.

#### IMPACT OF QUALITY OF LIFE ON READINESS

General SHALIKASHVILI. I fully agree with you, Mr. Visclosky. I think that you have to go through something like that or talk to folks who have done frequent moves like this to recognize how something like a child development center, for instance, or its lack—or its lack of adequate capacity—can impact the readiness of that particular soldier or sailor or airman or marine, and if you translate it throughout the force, it has a direct and almost measurable impact on readiness of the force.

Mr. VISCLOSKY. My sense is you were very sensitive to the issue. I would hope you really continue in that vein.

Thank you, Mr. Chairman.

#### MONITORING AIRCRAFT PROBLEMS

Mr. MURTHA. One other thing I might mention. I remember well the argument with the C-5, and the fact that we cut 20,000 pounds out of the C-5 initially, if you remember. I remember I was on a refueling flight, actually a flight to Europe, and they were refueling this airplane and we had to put a billion dollars in because the wings were cracking because they didn't put enough money in.

I asked the pilot as I was watching this mammoth C-5 move up to the 135, whether it had been rewinged. He said that it was the next one to be rewinged. That was not a very comforting feeling, I will tell you that.

I think we do have to watch that we don't make those kinds of mistakes, which in the end cost us a lot. It was supposed to be a cost-cutting measure and it was really counterproductive.

Secretary PERRY. We have as you know, a wing problem on the C-17 as well. History repeats itself. We have caught this one early, and I believe we will get it fixed properly.

Mr. Chairman, I wanted to intervene, if I may, to commend a note of thanks to this committee. You have been a committee that is generally—and you personally have been a stalwart supporter of defense through the years, particularly supporting readiness items and things affecting our troops in the field, and they know that and appreciate it, and General Shalikashvili and I know it as well, the most recent being the support for the supplemental. We thank you.

Mr. MURTHA. This is going to be a very difficult year. We look forward to working with you. We appreciate your coming before the Committee.

Secretary PERRY. Thank you.

Mr. MURTHA. Thank you very much, Mr. Secretary and General. There will be additional questions for the record. The Committee will adjourn until tomorrow at 10:00 a.m.

[CLERK'S NOTE.—Questions submitted by Mr. Dicks and the answers thereto follow:]

#### DEFENSE SUPPORT PROGRAM

*Question.* I am just back from Korea and raised the issue of the lack of theater capabilities during our trip. Are our present assets capable of handling the two major regional conflicts?

*Answer.* The Defense Support Program (DSP) was effective during Desert Storm because the Iraqis were launching a SCUD variant called the Al Hussein. This missile is brighter and longer burning than the SCUD that the North Koreans are selling on the world market.

*Question.* What is the health of the current DSP system and what are the Department's plans to launch additional satellites to maintain the system operational capability?

*Answer.* ———.

*Question.* What is your plan for the procurement of additional DSP satellites? What are the costs associated with this plan (including termination costs) versus the cost to complete the existing multi-year procurement contract?

*Answer.* The Air Force plans to buy only one more DSP satellite (Flight 23) and will terminate the production of satellites 24 and 25.

The cost to build only satellite 23 is \$660M; the termination cost for 24 and 25 is \$49M for a combined total of \$709M. The costs to buy all three satellites is \$1.07B. The current contract for these three satellites is greater than this second total because there are additional tasks on contract that are not associated with building satellites. For instance, there is a considerable amount of work in this contract associated with launch support (tasks that are incurred only when a satellite is launched).

*Question.* What are the requirements of the proposed new system, the costs, and when would it become operational? Has the Department performed the usual DAB to validate these costs and schedules?

*Answer.* The specific requirements for the new system are still being examined by the Air Force. At a high level, however, the requirements can be stated in this fashion: The DSP replacement system must be able to reliably detect ICBMs, SLBMs, and SCUD-class missiles. It must provide worldwide coverage, reporting timeliness, and tactical parameters, comparable to or better than DSP, and must be able to be launched into geosynchronous orbit with a medium launch vehicle.

The Department has scheduled a Defense Acquisition Board (DAB) program review for this program in September 1994. At that time, the Air Force will have a complete plan which includes program milestones and cost estimates.

The FYDP budget for the follow-on system is:

Fiscal year:	
1995 .....	150
1996 .....	180
1997 .....	150
1998 .....	285
1999 .....	500

*Question.* What is your fall-back, if the proposed new system is not operational on the scheduled date?

*Answer.* Since the Department has invested over \$1 billion in space-based missile detecting technology, there is little risk in the technology area that would cause the program to miss the schedule. The biggest risk is programmatic, i.e., declining DoD budgets. A fall-back position, if the new program could not make the established schedule, is to procure DSP Flight 24 and perhaps Flight 25. Unfortunately, buying these satellites on an annual basis would exacerbate any programmatic problem that would cause the new program to slip schedule.

*Question.* Now that you have decided to keep DSP #23, terminate FEWS, and start a follow-on system, where or how will Brilliant Eyes fit into the architecture?

*Answer.* Brilliant Eyes is a mid-course tracking system that provides object location to ground control systems that are guiding intercepting missiles. In order to keep the Brilliant Eyes an uncomplicated light-weight vehicle, it only has a limited ability to detect ballistic missiles during their launch phase. It is not a primary resource in the Tactical Warning/Attack Assessment architecture. The data that it does provide will be fused with other sources to provide confidence of missile attacks.

#### NONDEVELOPMENTAL AIRCRAFT/AIRLIFT

*Question.* Its my understanding that a program office for the nondevelopmental aircraft program has been established in the Air Force acquisition community, what requirements and criteria will be used to determine a source selection?

*Question.* Why does the NDAA Program continue to be linked with the C-17, when there is a real shortfall in oversized cargo load capabilities?

*Question.* You are retiring the C-141s at the planned rate to be completed by 2005. The procurement and delivery of the C-17 is not what had been previously counted on—obviously there is a shortfall. Why aren't you addressing—in a cost effective manner—the existing non-core airlift shortfalls that we are facing today?

*Question.* Isn't there a danger in waiting until the fall of 1995 to make a decision on additional airlift when the requirements are known today?

*Question.* Are you planning to use the nondevelopmental aircraft program as a pilot program in the acquisition reform program proposed by the administration?

[CLERK'S NOTE.—The Department was unable to provide responses in time to be printed in this hearing volume.]

*Question.* My concern remains at what level and composition of the bomber force best satisfies the U.S. national military strategy—at the least cost. We are retiring B-52s, the B-1s remain inherently plagued with problems, as we continue to close our overseas bases we need the force projection capability like that of the B-2 bomber. We need the B-2 to also protect our allies bases as well; the Saudi bases proved to be invaluable to our success and Hussein's defeat.

We are at a critical transition time—one that I believe we must act on—that being preserve the industrial base of our bomber pro-

duction capability—just as we are preserving the submarine industrial base, and protecting the tank industrial base.

Is my understanding that to preserve this base for just 1 year will cost \$150 million; how much will it cost to preserve the submarine base? How much to preserve the tank base?

[CLERK'S NOTE.—The Department was unable to provide a response in time to be printed in this hearing volume.]

#### B-2 BOMBER PROGRAM

*Question.* Bombers were not studied in the Bottoms-Up Review, will they be addressed in the roles and missions study?

*Answer.* The Nuclear Posture Review currently being conducted is examining in detail, bomber related issues, in trying to recommend what the nuclear posture of the United States should be in the future. The study is not yet complete. The roles and missions study may also address some bomber-related issues, with a focus on conventional weapons delivery.

Recommendations of the review are unknown at the current time. With this in mind, I am sure that the subject of bombers will be addressed during the roles and missions study as well.

*Question.* Senator Nunn asked you to compare Air Force trade-offs between stealthy aircraft and conventional aircraft; will this be included in the roles and missions study?

*Answer.* I expect the Roles and Mission study to conduct an exhaustive examination of how forces should be structured in the future. Specific tasking, to possibly include such an assessment, has not been finalized.

*Question.* Is there any study, analysis or national security rationale in existence which says only twenty B-2s are adequate for our future defense needs? Have you seen the Rand analysis calling for more B-2s?

*Answer.* The Bottom-Up Review is the most recent analysis of bomber requirements that I am aware of. The Bottom-Up Review considered the numbers of bombers in general, and assumed that the currently planned number of B-2s would be available as part of the overall bomber force to support the two major regional conflict scenario. This number of B-2s, together with other heavy bombers and interdiction forces available in the theater, was adequate to meet MRC objectives in FY 1999 and beyond. I know of no study which attempted to determine an "optimum" mix of B-52s, B-1s, and B-2s.

The Rand analysis was performed a couple of years ago, prior to the decision to reduce the number of B-2s to twenty, and did not account for the contribution of our forces that would be available in the MRC theater.

*Question.* The GATS program for the B-2 has been initiated. The B-2 will be the first bomber capable of delivering precision conventional weapons. Will you support GAM procurement if it is clear JDAM cannot be fielded by 1996?

*Answer.* The Air Force will address procuring GAM if the JDAM program slips. The current JDAM schedule is to flight test in FY96 for an FY97 Block 30 capability on the B-2. The JDAM program begins delivery of JDAM test assets in mid-FY97 for an initial B-2 capability of one aircraft weapon load in the first quarter of FY

98. In the event the JDAM program does not meet its schedule, then the Air Force will address the GAM option.

*Question.* Do you believe that U.S. precision conventional attack capabilities would benefit from having more than twenty B-2's?

*Answer.* Yes, however, the question is at what cost? The Department has submitted a budget that balances precision conventional attack capabilities between both fighter and bomber aircraft, within both aircraft and munition funding constraints.

*Question.* What is your position on this conventional capability, and maintaining our bomber industrial base?

*Answer.* Although preservation of the bomber defense industrial base warrants consideration, the Air Force does not plan to buy more than 20 operational B-2s given the declining defense budget. The Air Force sees this as an affordability issue, not an industrial base issue. The Air Force budget was developed with an optimum mix of weapons systems to support the national military strategy under prescribed fiscal constraints. We would only spend money to keep the B-2 production team together if we realistically planned on spending the significant resources required to procure additional B-2s.

#### OVERSEAS TROOP STRENGTH

*Question.* Are we withdrawing from overseas too quickly—will we have enough U.S. Armed Forces forward deployed to react to the two major regional conflicts?

*Answer.* The Department's current Future Years Defense Plan programs for Overseas Troop Strength (OTS) that would be sufficient to support the Bottom-Up Review strategy of fighting and winning two major regional contingencies nearly simultaneously. However, Section 1302 of the Fiscal Year 1993 Authorization Act levied a new ceiling on overseas troops permanently stationed ashore of 60% of that category on 30 September 1992 to be effective 30 September 1996. Our understanding is that the base line for this ceiling was determined based on the Department's forecast OTS on 30 September 1992.

Actually, because a large portion of the troops deployed to Operation Desert Storm were permanently based in Europe and their units were scheduled to move back from Europe to the U.S. or to be inactivated during the first half of Fiscal Year 1993, it was decided to return them to the U.S. directly from the Persian Gulf when the operation concluded in Fiscal Year 1992. While this was a prudent, logical course of action both fiscally and militarily, it resulted in an OTS on 30 September 1992 significantly below the forecast level and skewed the legislated baseline for the new OTS ceiling downward.

If the current ceiling is not adjusted, the Department will be driven to an OTS approximately 30,000 below that required to provide the level of overseas presence for deterrence of conventional aggression against our Allies and friends. Also, a well conceived OTS ceiling is closely tied to some key elements of those critical early arriving forces in the first stage of major regional contingencies determined necessary to support the Bottom-Up Review strategy. It is critical to the continued viability of the Bottom-Up

Review strategy that the Department get relief from the existing restriction, consistent with the intent of the legislation.

The Department staff is currently working with the Armed Services Committee staffs in an attempt to resolve this situation during the Fiscal Year 1995 Congressional Budget Review.

#### ACQUISITION REFORM PILOT PROGRAMS

*Question.* Mr. Secretary, in your testimony, you stress the need for acquisition reform. The FY 1992 Defense Authorization Bill, established the Defense Acquisition Pilot Program, a major effort to commence overall DoD reform.

The concept behind this defense acquisition pilot program was designed to take maximum advantage of cost savings which could be realized through the use of commercial procurement practices. Many of the concerns that have been raised is the relief of or waiver of many previously established statute regulations that were involved in the defense procurement process and not commercial procurement process; (to include a number of socio-economic issues).

How does the Department plan to implement this pilot program?

*Answer.* The purpose of the pilot programs is to: Allow DoD to gain access to commercial firms not currently doing business with the DoD because their commercial business practices are not compatible with the defense-unique terms and conditions imposed by statute and regulation; and to allow firms currently doing business under these unique terms and conditions to become dual-use suppliers to both DoD and the commercial sector.

The benefit to the Government is reduced cost for systems and supplies and increased access to the national technology and industrial base. Many of the unique terms and conditions that are barriers to achieving greater commerciality are socio-economic or involve cost and pricing data. These terms and conditions impose certain certification requirements that cause firms subject to them to create an infrastructure to assure compliance. The cost of this infrastructure is passed on to the Government.

The pilot programs will allow DoD to "jump start" the reforms contained in the acquisition reform legislation currently being considered in Congress without waiting for the completion of implementing regulations, as well as allow DoD to test streamlining in areas that were not considered fully and thus no recommendations were made by the Section 800 Panel.

#### MILSTAR SYSTEM

*Question.* The first Milstar was recently launched. The plan is to launch a second Milstar with low data rate, to be followed by four more satellites with medium data rate capabilities. General Shalikashvili, can you comment on what an important asset this will be to our forces?

*Answer.* Yes, the Milstar system will support theater command and control, tactical combat forces, unscheduled service for submarines and special operations forces, and strategic warning and SIOP execution.

Milstar will satisfy many key requirements critical to successful military operations by a power-projection force:

**Antijam**—Milstar communications are virtually immune to jamming; the message goes through, always.

**Covert**—Milstar provides low probability of intercept/detection, use will not compromise submarine, special operations forces, and other user locations to enemy listening stations.

**Deployability and Mobility**—Milstar terminals will deploy using tactical airlift and move with front-line forces.

**Coverage and Connectivity**—A complete constellation of four satellites will assure worldwide access anywhere (except the polar regions), anytime warfighters need it.

**Interoperability**: Army, Navy, Air Force, and Marines—Milstar will enable immediate communications between the Services.

**Reachback**—Milstar will enable communications out of theater without reliance on foreign-based ground relays vulnerable to destruction, sabotage, or host nation politics.

As the terminal population increases and the medium data rate capability is added, Milstar will provide the above capabilities and more data to combat commanders faster. It will also enable the Army's Mobile Subscriber Equipment (MSE) system to provide global communications to commanders on the move.

In short, Milstar will enable efficient synchronization of combat power and will not be vulnerable to enemy efforts to deny us this capability. No other satellite system in existence can provide the flexibility and assurance of uninterrupted communications of Milstar.

[CLERK'S NOTE.—End of questions submitted by Mr. Dicks. Questions submitted by Mr. Sabo and the answers thereto follow.]

#### DOD'S ROLE IN NUCLEAR NONPROLIFERATION

**Question.** Secretary Perry, the Administration has stated that fighting the spread of nuclear weapons is one of its highest foreign policy goals. The Department of Defense apparently plans on being a major player in this area. I understand you do much of the surveillance and intelligence work in nonproliferation, and aside from continuing research projects the FY 1995 budget specifies some \$30 million for a nonproliferation program. Could you describe your efforts in nonproliferation, and in particular tell us what your \$30 million program entails?

**Answer.** The Department of Defense recognizes the need to continue to pursue means to prevent the spread of weapons of mass destruction (WMD) as well as to protect against the potential employment of WMD by third world nations. The Assistant to the Secretary of Defense (Atomic Energy) has been tasked to develop a counterproliferation (CP) strategy to support the FY 1996 budget. Preliminary results from the effort have revealed several critical shortfalls which must be addressed to satisfy counterproliferation requirements. Examples of the shortfalls are hard underground structures characterization, nuclear, biological, and chemical material defeat, boost phase intercept of theater ballistic missiles, and remote detection of nuclear material and chemical and biological agents. A portion of the \$30 million in FY 1995 will be spent on cost and risk analyses of emerging technologies and concepts to ensure CP needs are met in a timely and effective way. Additionally, the CP strategy envisions proposed advanced technology dem-



onstrations (ATDs) which will allow for near term capability to conduct CP missions. The highest priority ATDs will be "jump-started" with funding from the \$30 million request. Finally, the industrial base of this country has not yet been energized to provide sound ideas and proposals to fill the voids identified in the CP strategy. A broad solicitation to industry is included in the \$30 million request.

*Question.* A number of other federal agencies are involved in this effort, including the Departments of State and Energy, and the Arms Control and Disarmament Agency. Could you tell us how your efforts are coordinated with theirs?

*Answer.* In response to the Congressional language contained in Title XVII of the Defense Authorization Bill, an interagency committee has been formed to review the United States Government's counterproliferation (CP) efforts. The committee is composed of representatives from DoD, DOE, DOS, DOC, ACDA, JCS, and CIA and is chaired by the Deputy Secretary of Defense, Dr. John M. Deutch. This group is reviewing CP activities underway in intelligence, battlefield surveillance, export control, counterforce, active defense, passive defense, inspection support and counterterrorism to ensure the programs are fully coordinated. A report to Congress detailing this review is expected by 1 May 1994.

#### ARMS CONTROL RESEARCH REPORT

*Question.* The FY94 Defense Appropriations Act contains a provision (Sec. 8123) requiring the Secretary of Defense and the Director of Central Intelligence to submit a report justifying funds requested for "research and development projects involving the implementation, monitoring, or verification of current and projected international arms control agreements." Can you tell us the status of this report? Was it submitted with the budget request?

Sec. 8123 also required the Department to submit to Congress the comments of the Arms Control and Disarmament Agency about the relevance of each project to the country's arms control goals. Has the Department asked ACDA for its comments on these projects?

[CLERK'S NOTE.—The Department was unable to provide responses in time to be printed in this hearing volume.]

#### HIGH PERFORMANCE COMPUTERS

*Question.* The Department of Defense is both a consumer of current operational high performance computers—as well as a player in efforts to develop more advanced systems. Last year, for example the Pentagon received \$146 million for the High Performance Computing Modernization Plan, which buys operational systems for DoD laboratories and agencies. In addition, the Department received \$195.6 million for its part in the High Performance Computing and Communications Initiative (HPCCI), which is a government-wide effort to develop advanced computing and networking technologies. Overall, Congress provided about \$1 billion last year for the HPCCI.

Can you tell us how much the Department is requesting in FY95 for the supercomputer modernization and research programs?

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Answer. Under the Department of Defense (DoD) the High Performance Computing (HPC) Modernization Program we are requesting \$183 million in FY95 to modernize the HPC capability of the DoD laboratories. This level is necessary to continue the process of modernizing the DoD high performance computing and communications capability and capacity to the level equal or greater than that available in the foremost academic research centers and industry; and it enables the U.S. to maintain its technological supremacy in weapon systems design and foster the flow of HPC technology into military operations and other warfighting support systems.

In addition to the DoD HPC Modernization Program for the laboratories, DoD, through ARPA, is a major player in the very important Federal High Performance Computing and Communications Initiative. Your question refers to the High Performance Computing Project (ST-19), of ARPA's Computing Systems and Communications Technology program. The \$243.7 million requested for this HPC project supports ARPA's major effort in the Federal HPCCI. The level requested is important to develop the technologies needed for both the President's National Information Infrastructure initiative and DoD's needs for high performance computing.

Question. What does the Department intend to do with the FY95 funds?

Answer. The \$183 million in FY95 HPC Modernization Program funds will be used for:

(1) Acquiring systems to modernize the HPC capability and capacity of DoD laboratories, and research, development and engineering centers. These systems will be acquired based on user requirements, and will include the required computers, data storage and scientific visualization capabilities to use the systems effectively.

(2) Supporting initiatives in collaboration with industry and academia which remove the technological barriers to use of advanced scalable systems for science and technology (S&T) applications, i.e., development of defense-specific applications and algorithms, software libraries and tools; user training and education in optimization and conversion to advanced scalable systems; and collaborative efforts to promote interdisciplinary teaming to focus on the Department's S&T problems.

The FY95 funds (\$243.7 million) requested under ARPA's HPC Project will continue to support development of hardware and software technologies leading to a scalable computing and communications technology base for systems configured over a wide performance range for both the Defense and the Federal sectors. The FY95 funding is essential to:

(1) Develop technology to enable a broad base of applications and scalable high performance computing. This includes research in modern operating systems; compilers and languages which operate across several architectures; scalable systems; capability to design HPC systems; and collaborations with other user Agencies in evaluating new capabilities on a larger scale.

(2) Develop network-based technology for computing and communications as an important technology component of the President's

initiative on the National Information Infrastructure. High performance network experiments with real applications coupled to experimental high performance computing systems will be important contributions to the collaborative work between industry, academia, and government.

(3) Apply HPC technology to military embedded systems requirements. In addition to creating the technology base supporting large processing capabilities needed by many defense applications, embeddable versions are needed which exploit emerging electronic packaging capabilities and the best scalable software strategies.

*Question.* We have been involved in a long-running dispute with the Department over the use of high performance computing modernization funds. This Subcommittee and the Armed Services Committee last year expressed concerns that procurement money was being used for research, and eventually we adopted a provision (Sec. 8121) to govern how those funds are dispersed.

I wrote to Dr. Anita Jones, Director of Defense Research and Engineering (DDR&E), last November to make sure she was aware of that section, which says, in part that these funds can be obligated only "as a result of open competition based upon the requirements of the users without regard to the architecture or design or the computer system."

I received a reply to my letter yesterday, three months after my note was sent. In it, Dr. Jones says the Department intends to comply with our statutory provision.

Unfortunately, I have a copy of a request for proposals that was sent to the services and agencies, which I believe undercuts Sec. 8121 by directing the various labs to submit specific kinds of supercomputer modernization proposals. Department officials have told my staff that this solicitation complies with the "letter of the law," if not with its intent. I do not agree.

Mr. Secretary, can you assure this Subcommittee that the Department will comply with Sec. 8121, and that you will not continue these efforts to undermine it?

*Answer.* We have undertaken no efforts intended to undermine Sec. 8121 of the National Defense Appropriations Act for Fiscal Year 1994, and we will fully comply with its provisions. Since that request for proposals, to which you referred, the Director of Defense Research and Engineering has directed a review of the program's long-term visions and goals, taking into account the direction and guidance given by Congress. I can assure you that all high performance computing (HPC) related acquisitions under the HPC Modernization Program will be based on user requirements without regard to architecture or design of the systems. Does the Department intend to spend the \$183 million requested this year for supercomputer modernization for purchases of operational systems, and not for research purposes?

*Answer.* We will acquire HPC systems for operational use in support of research and development under the Department's science and technology program. The HPC Modernization Program will not acquire advanced computers primarily for the purpose of research in computer architectures. The Department's board science and technology R&D mission, and its wide range of user requirements,

will require various HPC initiatives, both hardware and software related, to meet the goals of laboratory HPC modernization.

*Question.* When will the Department submit the new High Performance Computing Modernization Plan, as required by last year's Defense Authorization bill?

*Answer.* As previously stated the Director of Defense Research and Engineering has directed a review of the program's long-term visions and goals. The results of this review are just now being finalized and the program strategy is being adjusted accordingly. Preparation of the revised Plan will be initiated shortly. We will soon submit an interim response with summary information for the new directions and dimensions of the program, and the date by which we will submit the revised Plan.

#### SECURITY CLASSIFICATION COSTS

*Question.* Mr. Secretary, last year's Defense Appropriations Act required DoD to submit a report by March 31, 1994 providing information about how much the Department spends each year on all classification-related activities and detailing a plan to reduce those expenditures. Will we receive that plan, as scheduled, by March 31, 1994?

*Answer.* You should receive our response to your request by March 31, 1994. It was provided to the Director of the Office of Management and Budget in mid-March.

*Question.* Will that report include information about classification costs being done by outside contractors?

*Answer.* It does not include actual dollar costs but it does include a comprehensive explanation of capturing security costs in industry.

*Question.* I know that the Defense Department has already done more than most federal agencies in trying to control the cost of classification. Could you tell us some of the steps you have taken to reduce costs, for example by standardizing forms and procedures?

*Answer.* The most significant potential for achieving cost reductions is still in front of us. Evaluation of the report of the Joint Security Commission and the pending draft order to replace Executive Order 12356, "National Security Information," must be accomplished. The implementation of changes that likely will follow those evaluations should provide opportunity for significant savings.

*Question.* I have been told that the Department has commissioned an outside review of its classification procedures. Could you tell us something about that project?

*Answer.* We believe that you are referring to the work of the Joint Security Commission that was announced by Vice President Gore last May. A copy of the report of the Commission is attached for your information.

*Question.* Do you have any idea when the White House will be releasing the new Executive Order on classifying and securing national security information?

*Answer.* The new draft of the Executive order should be provided to the departments and agencies for review and comment in the very near future.

B-2 BOMBER PRODUCTION

*Question.* In response to questions asked by the Senate Armed Services Committee during your confirmation as Secretary of Defense, you were asked about production of additional B-2 bombers. You stated, in part, that "absent dramatic changes in world events, reconsideration of the B-2 force level does not appear appropriate."

In response to a question about maintaining the capability to resume production at some future date, you noted that "the B-2 production tooling is being preserved, which would allow for a production restart if future needs dictated."

Has anything happened in the last few weeks which would cause you to change those views?

Answer. No

*Question.* Given your position, would you oppose shifting funds from another DoD account to maintain the B-2 production line? For example, could we take \$150 million from the F-22 fighter for the B-2?

Answer. A \$150 million payment to restart production is not justified at this time. The Air Force currently has no plans to procure additional B-2s. Procurement of additional B-2s would necessitate either redirection of Air force funding from other valid requirements or an increase in Air Force funding.

*Question.* Over the long term, what kind of emphasis do you think we will be placing on manned versus unmanned strategic bombing systems?

Answer. A final answer to this question depends on the recommendations of the Nuclear Posture Review currently being conducted, and the Roles and Missions Study that is about to start. Today we have a robust capability with bombers (B-2, B-1B, B-52H), and long range cruise missiles (ALCM, ACM, and Tomahawk). I have long supported the development and deployment of both cruise missiles and stealthy aircraft.

[CLERK'S NOTE.—End of questions submitted by Mr. Sabo. Questions submitted by Mr. Skeen and the answers thereto follow:]

SINGLE STAGE TO ORBIT/DELTA CLIPPER

*Question.* Mr. Secretary, several defense-related interests throughout New Mexico and California are strongly supportive and highly involved in several promising new technology programs designed to modernize our space launch capabilities.

I have watched with interest the development and success of the Delta Clipper program, which was tested at White Sands Missile Range, in New Mexico.

With wide bipartisan support last year, the Congress appropriated \$40 million in the defense appropriation bill to initiate development of the SX-2 advanced technology demonstration vehicle.

Two weeks ago, the Congress again indicated its support of the program in rejecting the proposed rescission for this program.

Mr. Secretary, almost one-third of the fiscal year has been lost, and I think it is time we move forward with this important program.

Would you provide for the Committee your Department's plans regarding this program for FY 1995 as well as your plans on releasing and obligating the funds for this program?

Answer. The Single Stage to Orbit (SSTO) program is being evaluated as part of the Department's overall review of space launch modernization. Execution of the FY 1994 SSTO funding, as well as future funding requirements, will be determined by the results of that study. In the interim, the Advanced Research Projects Agency is laying the groundwork to execute the program in keeping with congressional intent. It is anticipated that the study will be completed within the next two months.

[CLERK'S NOTE.—End of questions submitted by Mr. Skeen. Questions submitted for the record and the answers thereto follow:]

#### READINESS OF ARMED FORCES

*Question.* Mr. Secretary, I understand that the fiscal year 1995 operation and maintenance request increases by \$5 billion from fiscal year 1994 to reflect the Department's emphasis on readiness. As I have discussed with you in the past, I am quite concerned that the readiness of our armed forces is slipping. The Services' increased OPTEMPOs do not match the downward trend of the DOD budget. Funds to pay deployments for peacekeeping purposes have come from accounts that pay for unit training and maintenance and repair of facilities and equipment. Unit commanders have had to eliminate or shorten unit training because the dollars have been taken away to pay for current deployments. Mr. Secretary, what can be done to ensure that commanders are given the funds to do the necessary training to keep their units proficient and prepared for warfighting missions?

Answer. One of my key responsibilities as Chairman of the Joint Chief of Staff is to serve as the spokesman for the combatant commanders to highlight their preparedness requirements and advise the Secretary of Defense and other DOD elements of their needs. This is an established statutory responsibility whereby I can help ensure adequate training to keep units proficient and prepared.

Additionally, the Secretary of Defense's Defense Planning Guidance established readiness as the first funding priority, and gave the services the latitude to re-program funds to support readiness, to include unit training.

*Question.* Based on lessons learned in Somalia, will some of our forces need additional training to effectively execute peacekeeping or peace-enforcing missions?

Answer. We have learned that each deployment and subsequent mission execution has special needs. Peace operations often require using minimum force rather than maximum force techniques. This usually requires some additional predeployment and post deployment training which will vary for each situation. Based upon lessons learned, our forces are including appropriate peace operations training in their training programs.

Peace operations, including peacekeeping and peace-enforcing, cover a wide spectrum. The possibility of conflict, and consequent risk to our forces, may range from negligible to serious. Operations will vary in terms of missions, objectives, and desired end-states. Regional, cultural, ethnic, religious, and geographical factors

compound mission execution and additional training may be required to prepare our forces for these possibilities. Some period of retraining on the warfighting mission will also be required for most units when the peace operation is complete if we are to return the unit to mission ready status.

We must remain mindful, however, that training U.S. forces to fight and decisively win wars will continue to be our highest training priority. A highly trained, balanced force is our best guarantee that we will be prepared to meet whatever challenges arise. This is especially important to keep in mind as our Armed Forces become smaller.

*Question.* Are we not at that point where it is no longer cost effective to repair facilities at some of our major installations? Will the savings from base closures materialize so that we can again start to reinvest in the infrastructure.

*Answer.* The Bottom Up Review found that it is essential to close unneeded infrastructure and that it is critical to adequately resource the remaining base structure. The deferment of scheduled maintenance and repair is always a tempting short-term solution to funding shortfalls. It is not, however, a wise one. We need to maintain our infrastructure in order to support the defense mission and make sure that our people have quality places to work and live.

With respect to savings from base closures, the Department's Fiscal Year 1995 budget request for the two Base Closure Accounts reflects realization of a net \$1.3 billion in savings as we implement the approved closures and realignments. After these actions are completed, the Department expects to realize annual savings of \$4.6 billion.

*Question.* I realize that the request for Operation and Maintenance is increased at the expense of the investment accounts. However, will this increase reduce the degradation of readiness that many have cautioned is already occurring?

*Answer.* A portion of the increase in O&M funding in FY 1995 is to prevent a recurrence of either cancelled FY 1994 readiness programs or the need to use formal reprogramming action to provide funding for direct and indirect readiness programs. First, after falling short of training goals in FY 1993 and FY 1994, the Army has increased funding in FY 1995 by \$181 million to support its objective OPTEMPO rates of 800 miles per year for combat vehicles and 14.5 flying hours per month per tactical aircrew. The Army has also budgeted base operations program growth of almost \$200 million to overcome prior base operations short falls that have had to be solved by diverting funds from training or catchup reprogramming actions. Similarly, the Air Force budget increases \$165 million in FY 1995 because of an unfunded Depot Level Repairable (DLR's) requirement that will be met in FY 1994 by reprogramming action. Finally, there is another \$358 million in growth in FY 1995 to cover that portion of the FY 1994 civilian personnel locality pay raise that will be funded in FY 1994 by reprogramming action. The FY 1995 O&M increase provides additionally funding to enhance Army strategic mobility, to increase the Army and Navy depot maintenance program, and to increase across all services funding for real property maintenance.

## PREPOSITIONED AND WAR RESERVE STOCKS

*Question.* According to a Congressional Research Service report on Readiness, all Services have tried for three years to replenish prepositioned and war reserve stocks used during Desert Shield/Desert Storm, but low funding levels and continued expenditures in Southwest Asia, Somalia and elsewhere have made this a slow process. It would seem that it is vital for us to maintain adequate levels of prepositioned stocks and war reserve. Mr. Secretary, is this a major concern? Are there funds requested to continue the replenishment of these stocks? Are there critical stock shortages?

*Answer.* The Department of Defense places the highest priority on supplying our forces with equipment and supplies where and when mission requirements exist. As you are aware, the Department's war reserve strategy prior to Desert Shield/Storm was the traditional approach of basing our requirements on a global conflict with the Soviet Union. This approach generated worldwide requirements and stockpiles of assets around the world. Our current strategy requires a smaller, more flexible force that is capable of responding effectively to regional contingencies. These smaller forces, in less demanding conflicts, will require fewer numbers and quantities of items to be stocked in war reserve inventories. The ongoing drawdown of forces, new war reserve policy, development of asset visibility processes, and more reliance on the commercial sector have combined to reduce the amount of materiel required to be stockpiled.

The Military Services and Agencies have several initiatives under way to provide operational and logistics managers accurate and timely information on the location, quantity, condition, movement and status of the assets. The Department's ongoing Total Asset Visibility (TAV) program will provide visibility of materiel in the logistics pipeline across the components. Assets can be utilized to meet the most urgent requirements, such as those to support a deployment. Shipments can be rerouted to supply the non-committed unit or placed in the pipeline to the conflict area as required, thereby reducing the amount of war reserve stocks required to be funded and on-hand prior to mobilization.

We will continue to stock those items that have minimal civil sector availability but are critical to the combat mission of our forces. The statutory provision imposed upon the Department that limits replenishing our inventories to 65 percent of sales for secondary items has indeed placed our attention on improving inventory management and the reduction of long supply inventory. But, an unintended side effect has been to reduce the Department's buying sufficient new inventory to replace items condemned during the maintenance of the newer weapon systems. As a result, resources are applied to support current operations and training. The majority of items in long supply are no longer required to meet our mission needs. For example, M60 tank parts cannot be used to repair M1A2 tanks—so, while we may sell M1A2 parts, the M60 parts remain in long supply—we are in a downward spiral on replenishing M1A2 parts used in the current system.

The Department has requested and received supplemental funding to replenish stocks used during Desert Storm/Shield and other



contingencies. The logistics readiness posture in the Military Services, as presented to the House Committee on Appropriations, Subcommittee on Defense earlier this month, confirmed that the Department's readiness is in good shape at this time. However, additional unplanned contingencies and several years' replenishment limitations increase the drawdown of parts in greatest demand. The relief granted by Congress in FY94, particularly for repair parts, has helped considerably.

At this time, the Air Force and Navy have not expressed reservations about supporting two major regional conflicts (MRCs). The Army believes it could logistically support one MRC with moderate risk in the second. This determination is based on the FY93 computations which indicates that shortfalls are being experienced in secondary item war reserves in some major weapons systems, i.e., AH-64, UH-60, MLRS, HMMWV, etc. The Army will be recomputing secondary item requirements to reflect the drawdown in forces in early summer. Once analyzed for shortfalls, the appropriate steps will be taken in response. The remaining components are in agreement that they can logistically support current contingency planning scenarios but any unplanned contingencies will require additional funding support.

#### HOLLOW FORCE

*Question.* Mr. Secretary, there have been a few "long lead indicators" that the Services are beginning to have some difficulties in ensuring that the high quality people continue to be recruited. For example: There has been an increase in the number of recruits who don't have high school diplomas. Also, there is concern about morale because of factors such as pay freezes, or low pay raises, the downsizing of the forces, and career advancement is slowing down. What assurances can you give the Committee that every effort will be made to avoid the return of a "hollow force" that existed in the late 1970's?

*Answer.* Through January 1994, our recruit quality has remained reasonably strong, with about 95 percent of recruits holding a high school diploma; also, 70 percent were drawn from the top half of American youth in terms of aptitude—what we refer to as "Categories I-III A". However, we also note from our recent surveys of young people that they are less inclined to join the military. Therefore, I was pleased that, in enacting last year's Defense appropriation, recruit advertising accounts were increased slightly—an action that signals a shared concern for bringing aboard quality recruits \* \* \* and preserving a quality force.

Regarding pay: We are submitting a budget that recognizes the need for spending restraint and shared sacrifice. I suspect that our Service members and civilian employees understand that Americans must sacrifice a little to get a handle on the deficit—this helps to preserve our security. It is our hope that such understanding will mitigate the effects on morale and readiness. However, any potential negative effects on readiness or force quality will be carefully monitored. If we see signs of a deterioration, we will take corrective action.

In response to your question about promotions: Strength levels have declined, yet promotions have been steady. Average promotion

times have remained within a year of the pre-drawdown levels, and officer promotions remain within guidelines of the Defense Officer Personnel Management Act. We owe this stability to voluntary separation incentives such as the Special Separation Benefit (SSB) and the Temporary Early Retirement Authority (TERA)—they encourage necessary reductions among those in the career force who have not reached retirement eligibility. Without these tools, promotions could have stagnated; in fact, before we had these tools, our plans showed average times for enlisted promotions increasing by as long as 3 years over the course of the drawdown.

With respect to hollow forces, you have my assurance that the Department will travel every avenue in making sure that the forces we field are well-trained and cared for, and are fully capable of performing the job we ask them to do.

#### PEACE KEEPING, PEACE ENFORCEMENT, HUMANITARIAN ASSISTANCE

*Question.* Last year the Committee included report and bill language stating that before U.S. troops were deployed for peace keeping, peace enforcement and/or humanitarian assistance the Congress should be consulted, and the notification should include information such as: How a deployment is to be paid for; Projected duration and scope of an operation; Goals of the operation; and U.S. interests that will be served by the operations. From your perspective, does the executive branch have the mechanisms in place to ensure that before a decision is made to endorse the commitment of troops for peace keeping, peace enforcement or humanitarian assistance that the right policy issues have been addressed?

*Answer.* Yes, as part of our major policy review concerning peace operations, the Administration reviewed the existing interagency mechanisms and developed new procedures to ensure that the interagency process can address all aspects of these types of operations effectually. Further, the Administration developed a series of factors for consideration before deciding to commit U.S. forces to peace and humanitarian assistance operations. These factors include: (1) U.S. participation advances American interests and the risks are acceptable; (2) funds, personnel, and other resources are available for U.S. participation; (3) U.S. participation is necessary for the success of the mission or to persuade other nations to participate; (4) the likely duration for U.S. participation can be identified and tied to clear objectives and realistic exit criteria; (5) there is domestic political and Congressional support for U.S. participation, or such support can be marshaled; and, (6) the command and control arrangements governing the participation of American and foreign forces are acceptable to the United States. All decisions will be made based on the cumulative weight of all these factors, with no single factor being an absolute determinant.

*Question.* Before the U.S. Ambassador to the United Nations casts a vote which may commit U.S. troops to a peacekeeping effort, is the DOD adequately consulted?

*Answer.* Yes. In situations where there is a potential to deploy U.S. forces, the issue is fully discussed by the Principals, with active involvement of myself and the Chairman of the Joint Chiefs of Staff. I am completely confident that the U.S. Ambassador to the United Nations would never cast a vote for a UN peacekeeping op-

eration that involved the potential deployment of U.S. forces without full consultation with the Department of Defense.

#### SITUATION IN KOREA

*Question.* Place in the record the current and projected capacity of the North Koreans to produce weapons grade nuclear material.

*Answer.* \_\_\_\_\_

*Question.* A number of members of the subcommittee recently traveled to Korea to review the military situation on the Korean peninsula.

One concern we had was that projected upgrades to our conventional forces in Korea would be used as bargaining chips in future negotiations on the nuclear issue. The danger being, of course, that our troops would not have the optimal mix of equipment and/or readiness to meet the conventional threat if this occurred. What are your views on this issue?

*Answer.* It is our intention to proceed with this force modernizations that we feel are necessary to meet the North Korean threat. The timing of those modernizations are planned well in advance and are not predicated upon the status of any ongoing nuclear negotiations.

*Question.* The "Annual Report to the President and the Congress" states in part that the "DOD is exploring the possibility of prepositioning more military equipment in South Korea to increase U.S. crisis-response capability." When do you anticipate the decision on this issue may be made?

*Answer.* The Joint Staff has requested that USCINCPAC instruct United States Forces Korea to enter into negotiations with the Government of Korea to preposition a heavy brigade set on the Korean peninsula. United States Forces Korea has entered into preliminary negotiations with Korean Ministry of National Defense and the negotiations have been made part of the Security Consultative Meeting/Military Committee Meeting process.

#### BOSNIA AIR STRIKE COSTS

*Question.* Mr. Secretary, we are currently committed to participate in air strikes in Bosnia if the Serbs do not stop the shelling in and around Sarajevo. Have you developed any costs estimates of what these air strikes would require in additional defense funding by the United States?

*Answer.* Since costs would be dependent on the number, duration and type of air strikes, no estimate can be made at this time.

*Question.* Would you request emergency supplemental appropriations to fund this additional expense?

*Answer.* The need for supplemental appropriations would depend on the cost of the operation. The Emergency Supplemental Congress recently approved included about \$150 million to cover higher Navy and Air Force operating tempo in Bosnia. I don't believe we will need additional funding unless activity levels rise significantly. Should that occur, however, we would have to seek additional funds to avoid jeopardizing the readiness of forces not involved in this operation.

*Question.* Some individuals believe air strikes are not the solution but that ground combat forces should be deployed to Bosnia.

Mr. Secretary do you have any estimates of the numbers of ground combat troops which would be required to stabilize the situation and the costs of such an operation?

[CLERK'S NOTE.—The Department was unable to provide a response in time to be printed in this hearing volume.]

#### SITUATION IN SOMALIA

*Question.* Mr. Secretary, United States armed forces are to be totally withdrawn from Somalia by March 31, 1994. Will any US military forces remain in Somalia or be stationed offshore after March 31st?

*Answer.* There will be 12 contract technical advisors assigned to the UNOSOM staff after March 31; 6 from the Army Corps of Engineers and 6 from the Defense Logistics Agency. They will be a mix of military and civilian personnel. There will be a four-person military combat intelligence support cell (CISC), assigned to the USLO. Security for the inner perimeter of the USLO will be maintained by approximately 50 Fleet Antiterrorism Security Team (FAST) Marines through June 30, after which we expect contract security will take responsibility. There may be another 2-3 military officers assigned to the USLO staff as military advisors to the ambassador. The Peleliu Amphibious Ready Group (ARG) with the embarked 11th Marine Expeditionary Unit (MEU) will remain within USCENCOM's Area of Operations (AOR) through its scheduled deployment.

*Question.* Which countries will maintain a substantial armed forces in Somalia after the United States withdraws?

*Answer.* Over a dozen countries have advised the UN of their intent for their troops to remain beyond March 31. The bulk of 18,000 personnel UN force will be from Pakistan (5,270), India (4,929), Egypt (1,663), Zimbabwe (986, with a possibility of an additional 1,000), Malaysia (954) and Bangladesh (946).

*Question.* Will the United States be involved in providing any funding to support the remaining multilateral armed forces in Somalia after March 31st?

*Answer.* President Clinton has said that the US will stay involved on a diplomatic level and in terms of humanitarian assistance. To this end, the US has pledged up to 100 million dollars in Humanitarian and Reconstruction assistance in 1994, including 45 million dollars in monies, commodities, services, and training for the rebuilding of the Somali Police and the Judicial System. In addition, the US is leasing vehicles, tanks, and aircraft to the UN to increase the capability of the UN quick reaction force that will be in Somalia beyond March 31.

#### FORCE STRUCTURE

*Question.* In December, 1993 Secretary Aspin announced a major restructuring of the Army National Guard and Army Reserve. This announcement not only set the end strength levels for the three components, but also realigned the combat, combat support and combat service support units, essentially "swapping" forces between the Reserve components. Secretary Perry, do you support the Army's decision of this wholesale transfer of units between the Reserves?

Answer. In a word, yes, but I would like to place this historic agreement in context and to correct the notion that it constitutes a "wholesale transfer of units between the Reserves."

From the period 1989 through 1999 the Army's force structure will be reduced by about 270,000; the Guard by 90,000 and the Army Reserve by 111,000. The decision to focus the Guard on a wartime combat mission and the Army Reserve on providing combat service support represents but one aspect of the many changes required in the evolution of the Total Army from its Cold War footing to the power projection Army envisioned by the Bottom-Up Review.

The steps necessary to execute the realignment are modest in comparison to the total number of units in the Army Guard and Reserve. As currently planned only 135 units will be "swapped" between components. An additional 14 aviation battalions will migrate from the Army Reserve to the National Guard.

Question. Was this proposal arrived at outside the Army's normal force structuring process or Total Army Analysis?

Answer. Yes. These restructuring decisions were agreed to through the Army's AC/RC leaders' off-site process, which was outside the normal TAA process. The results, however, are fully consistent with the force requirements generated by the TAA process.

Question. Are you satisfied that a full and complete assessment was made with regard to the cost to implement this change, the altering of the roles and missions of the components, and of the possible adverse consequences on operational readiness of these units?

Answer. Yes. I am satisfied that the costs of this realignment have been rigorously reviewed. The restructuring plan makes sense in terms of both its cost, which will be significantly less than \$100 million, and the long-term readiness of the Guard and Reserve. The realignment of functions allows the Army Reserve components to concentrate on their core competencies. It is part of the continuing effort to strengthen the role and readiness of National Guard and Reserve forces. We will work to implement this plan in such a way as to minimize turbulence to both the readiness and the personnel of the affected units. Additionally the plan will preserve a broad geographic distribution of Army Reserve component units.

Question. Mr. Secretary, in last year's conference, the Armed Services Committees increased the end strength of the Marine Corps from the budget request of 174,000 to 177,000 personnel, and the Appropriations Committees appropriated funds for these additional personnel. The Defense Committees felt this was an appropriate number to sustain the operational commitments of the Marine Corps.

a. The FY 1995 budget request deletes these 3,000 personnel for FY 1994. Would you explain to the Committee why you do not plan to maintain the Marine Corps active duty and strength as authorized?

b. Is the 174,000 an adequate number to support all of the missions assigned to the Marine Corps under the Bottom-Up Review without placing undue hardship on the personnel and their families?

Answer. a. The Bottom-Up Review determined that an end strength of 174,000 Marines in the active component and 42,000

Marines in the reserve component is appropriate to ensure that the Marine Corps can execute its critical roles in forward presence, crisis response and power projection required for naval operations in the world's littorals.

b. 174,000 Marines in the active component is the minimum number required to meet the operational commitments assigned to the Marine Corps. With about 23 percent of the Fleet Marine Force Marines forward deployed or forward based at any time, the impact that PERSTEMPO has on families and readiness is a concern. The department, sharing Congressional interest and concern in this area, has undertaken a comprehensive review of readiness that will better define this issue and ensure that our readiness accounts are adequately resourced.

#### AMMUNITION INDUSTRIAL BASE

*Question.* For many years, the Committee has expressed concern about the condition of the ammunition industrial base. From a funding level of more than \$2 billion per year in the 1980s, the current Army ammunition budget for 1995 stands at \$844.6 million. Some argue that the Army ammunition procurement budget needs to be at about \$2 billion to sustain a healthy industrial base. What is your assessment of the Defense ammunition industrial base?

*Answer.* We are currently reviewing the munitions industrial base. A report will be submitted to the Congress upon completion of this review. I am seriously concerned about the health of this part of the industrial base because of the degree of the reductions we have been forced to make in this area.

*Question.* Last year, the Committee directed the Department to prepare a plan for the ammunition industrial base and to send it to Congress by March 1. The plan was supposed to be prepared in consultation with industry. What is the status of that plan?

*Answer.* The rational downsizing of the Munitions Industrial Base remains a complex task. The Plan requested by the Congress is not completed because we are still obtaining data from industry. The Plan will be submitted by 30 April, however, it may be subject to change as a result of the ongoing DoD Ammunition Industrial Sector Review. This Review is looking into additional issues having to do with private contractor financial viability as well as the S&T base. The DoD Review should be completed in the September time frame.

*Question.* What actions will be taken by the Department to implement the plan? Are any changes for 1994 or 1995 expected to be proposed once the plan is submitted?

*Answer.* The requested plan must be completed and assessed for its implications relative to other DoD priorities. At this time no 1994 or 1995 changes are anticipated. When the review is completed I will provide a more definitive answer to this question.

*Question.* In the case of submarines, the Department has chosen to continue procurement funding, even where an immediate requirement was non-existent or low priority, in order to sustain critical elements of the industrial base. Will you consider similar measures to sustain the ammunition industrial base?

*Answer.* Yes.

#### PROJECTED PROCUREMENT REFORM SAVINGS

*Question.* Included in the overall budget is a projected \$712 million government-wide savings for "reinventing federal procurement." What does the budget assume in terms of what portion of those savings will come from defense?

*Answer.* House Resolution assumes that \$321 million of the \$712 million targeted for savings through Reinventing Federal Procurement will come from the Defense Department.

*Question.* From your perspective, is that a realistic assumption?

*Answer.* The \$321 million in savings to be achieved is our portion of the Administration's overall target for savings in Federal procurement reform throughout the government. This amount has already been incorporated in the Department's budget submission. However, our success will be measured in no small part by the degree to which we achieve statutory reform of the Acquisition Process.

*Question.* What specific steps are you taking to attain these savings in fiscal year 1995?

*Answer.* There are steps which are already being taken to achieve these savings. These steps are in the areas of Productivity Improvement, Electronic Commerce, and Information Technology.

Productivity Improvement and Electronic Commerce savings have been reflected both in past Defense Management Report (DMR) reductions in the defense program and more recently in the program adjustments proposed by the Military Departments to bring the budget down to the topline. Further, on 23 December 1993 I approved the implementation plan of a Department-wide Electronic Commerce program. This program will allow the majority of our buying activities by January 1996, to be on-line using Electronic Commerce to perform small purchases, which account for over 95% of the actions performed.

Information technology savings are already reflected in the defense budget, largely in the outyears. Further savings are not achievable in FY 95 because of the substantial investments that must be made in order to achieve those savings. The savings already projected will not be realized unless §800 legislation is passed.

#### AIRLIFT OPTIONS

*Question.* Mr. Secretary as you know the fiscal year 1995 budget request proposes \$2.7 billion for the acquisition of another 6 C-17 aircraft as well as \$103.7 million for the initiation of a non-developmental airlift aircraft alternative in addition to the C-17. Please describe to the Committee what the goals of the non-developmental program are. Is this program designed as a replacement or a supplement to 120 aircraft C-17 fleet? What specific ton-mile requirement will be addressed by non-developmental airlift aircraft? Define what the department means by "non-developmental" in the instance of this program. What sorts of modifications do you anticipate as necessary to any acquired commercial aircraft under this program?

*Question.* Mr. Secretary as you are also aware the Department has recently proposed a "settlement" to the C-17 manufacturer in

an attempt to resolve outstanding issues and claims. Under the terms of the settlement substantial additional investment is required of both the contractor and the government. What additional data will be obtained as a result of the settlement to support a Milestone IIIB decision on the program that would not have been available otherwise? Are we setting a precedent for the way claims are dealt with on major programs?

[CLERK'S NOTE.—The Department was unable to provide responses in time to be printed in this hearing volume.]

#### MILSTAR PROGRAM

*Question.* After a decade of development, the first Milstar communications satellite was successfully launched earlier this month. Despite many changes to the program, it has been a high priority for DoD. What priority would you place on the continued funding for Milstar in FY 1995 and beyond?

*Answer.* The Milstar program is fully funded in the FY 1995 President's Budget.

Also, as I promised during my testimony, let me share with you the rationale for our decision. As you are aware, the program has been subject to numerous reviews over the past several years. Affordability continues to be examined every fiscal year as we develop our budget.

During the FY 1994 budget review, the Air Force raised the issue of affordability and proposed cancellation of Milstar II. At that time, the Air Force offered an alternative "point design" for consideration—a distributed architecture of extremely high frequency (EHF) payloads located on existing satellites—Milstar I, the Defense Satellite Communications System (DSCS-III), and the Follow-On UHF program. While this approach offered a potential for some cost savings, the Department found it would not satisfy the requirements of the Services and the Joint Staff.

Subsequently, we extensively examined MILSATCOM programs as a part of the Bottom Up Review, with particular emphasis on reducing the cost of Milstar. We evaluated numerous program alternatives, considered changes in the threat, assessed performance against operational requirements, evaluated cost-effectiveness trades, and affordability. The Department Task Force that completed these evaluations was complemented by an independent team of experts, known as the Technical Support Group, led by Dr. Bob Everett of the MITRE Corporation.

The review reaffirmed the military requirement for jam-resistant EHF communications. The Bottom Up Review recommended the Department transition from the larger Milstar II satellite which is launched on a Titan IV booster, to an advanced EHF satellite design which could be launched on a medium lift booster. In making our assessment, we carefully considered affordability, risk, and capability provided to the warfighter.

After extensive review, we found that a constellation of four Milstar II satellites met military requirements and provided the most capability at the earliest date. It represented the best means of achieving needed capability while potentially reducing long-term costs. In implementing the results of the Bottom Up Review, we ul-



timately saved about \$4 billion in life cycle costs and almost \$1 billion of program cost in the FYDP.

To provide the same capability of a Milstar II satellite an advanced EHF satellite would need to reduce the payload weight from 4,400 pounds to approximately 1,500 pounds or less. It would also need a new antenna suite to substitute for the 23 antennas on Milstar II but designed to fit on a smaller satellite. We are continuing to examine approaches to this concept. We have begun an aggressive technology assessment program and have initiated technology development efforts in our FY 1995 budget request to support a future decision on an advanced EHF design.

While the Bottom Up Review recommended transition to a smaller, more capable satellite not later than FY 2006—if it is possible to do so sooner, save money, and continue providing essential military capability with acceptable risk—we will recommend such a program to the Congress.

*Question.* For the past few years, Milstar has been funded at approximately \$1 billion per year. The FY 1995 request is for less than \$700 million. Why has the funding request dropped so significantly?

*Answer.* There are two reasons for the reduced FY 1995 RDT&E budget request.

First, we have made some changes in the program. In conjunction with the Bottom Up Review, the Air Force implemented a more efficient build and delivery schedule for Milstar II satellites #3 and #4. By re-sequencing modifications to satellite #3 for adding the medium data rate (MDR) payload and the development of satellite #4, the Air Force was able to identify excess FY 1993 funds appropriated for Milstar. Forward financing of these funds allowed us to reduce our FY 1995 request for RDT&E funding for satellites. Similarly, the request for RDT&E funds for terminals is also reduced since we have entered into Low Rate Initial Production (LRIP).

Secondly, to facilitate accountability the Comptroller has separated individual segments of the Milstar program into separate appropriations. We have established separate program elements for the Milstar space segment, the Air Force terminals, and the advanced EHF satellite in our FY 1995 budget request. Actual funding requirements for Milstar are slightly less than last year.

*Question.* What is your current projected launch date for the Medium Data Rate Payload and how does that compare with what you projected last year?

*Answer.* The current planned launch date for the first Milstar II satellite with both low data rate (LDR) and medium data rate (MDR) capability is approximately 90 days following the scheduled delivery of the satellite in September 1998. This will allow a launch early in FY 1999. At this time last year, we anticipated a launch approximately six months later. The improvement in schedule is a result of the improved efficiencies from re-sequencing development of Milstar II satellites #3 and #4.

#### SPACE-BASED EARLY WARNING SYSTEMS

*Question.* For the past three years, DOD and the Congress have engaged in a debate over the continued requirement for a space-

based early warning system to detect the launch of strategic and tactical ballistic missiles. These various infrared systems are called DSP, FEWS, and Brilliant Eyes. Now it appears FEWS is gone and a new system called ALARM has appeared. Would you please briefly describe for the committee what the FY 1995 budget proposes for each of these systems and what the eventual early warning architectures will look like?

Answer. —. This satellite will be developed under the Alert, Locate, and Report Missiles (ALARM) program, which is the follow on to the cancelled Follow-on Early Warning System (FEWS) program. Two contracts for Demonstration and Validation concepts will be awarded in the spring of 1995. The number of satellites in the early warning constellation will be determined during the initial phases of the ALARM program.

The Brilliant Eyes program will fly two demonstration satellites in FY 1998. The eventual make-up of the Brilliant Eyes constellation will depend on whether the system will support both National Missile Defense and/or Theater Missile Defense. This decision will be made after the demonstration flights in 1998.

The proposed FY 1995 budget for these programs is as follows:

(Dollars in millions)

Fiscal year 1995	DSP	ALARM	FEWS	Brilliant Eyes
RD&E .....	\$76.4	\$150	.....	\$120
Proc .....	382.7	.....	.....	.....
O&M/MIL PERS .....	118.4	.....	.....	.....
Total fiscal year 1995 .....	577.5	150	\$0	120

#### SUBMARINE INDUSTRIAL BASE

*Question.* If there is no clear advantage provided by the New Attack Submarine, what is the justification for continuing the multi-billion dollar development program?

Answer. The United States must maintain a capable submarine force in order to execute our national military strategy. Submarines are very capable platforms, whose versatility, agility, mobility and endurance allow them to operate independently or as an integral member of a Naval Expeditionary Task Force.

The New Attack Submarine Cost and Operational Effectiveness Analysis (COEA) provided the basis for making the decision on which submarine to build. The COEA demonstrated the vulnerability of the SSN-688I class submarine and reported that if this vulnerability was satisfactory, then the SSN-688I was the most cost effective submarine to build. The Department of Defense's judgment is that the vulnerability of the SSN-688I was unacceptable. Given the SSN-688I vulnerability was unacceptable, the COEA reported that the SEAWOLF was more cost effective if only a few ships were to be purchased. Maintaining force levels in the future requires serial production of submarines. Given serial production, the COEA recommends the New Attack Submarine.

Additionally, the SSN-688I class which began service in the 1970's, has reached its limits in quieting and room for growth. The SSN-688I vendor base has shut down and SSN-688I construction methodology was replaced by the modular construction techniques

of the SEAWOLF. Returning to SSN-688I production would be expensive and also a step backwards.

SEAWOLF, will be the most capable submarine in the world, but is too expensive for production in the numbers required to maintain force levels.

The New Attack Submarine, which will provide SEAWOLF stealth and multi-mission capabilities at near SSN-688I cost, is the correct choice for the submarine force of the future.

*Question.* What advantage does the Department of Defense derive from embarking upon a new development program rather than staying with production of the more mature Seawolf or Los Angeles class programs?

*Answer.* The New Attack Submarine is the only platform that provides the required capabilities with a cost that will support an adequate force level. The SSN-688I lacks the quieting and room for growth required for a submarine class expected to be in service throughout the first half of the next century. Because the SEAWOLF has more than the required capabilities, its cost prevents an acquisition rate sufficient to maintain force levels. The New Attack Submarine leverages SEAWOLF technology to provide a affordable, multi-mission submarine for the future.

*Question.* One justification for the New Attack Submarine program is for preservation of the submarine industrial base. Has the Department explored ways to preserve the industrial base that do not include production of submarines?

*Answer.* The Department has completed several studies which examined the most effective way to both preserve the submarine industrial base as a national asset and replace nuclear attack submarines as they reach the end of their service life. These studies were conducted by the Navy, the Joint Staff and OSD as well as an independent examination of the issues by the RAND Corporation.

The conclusion(s) drawn by all of these studies are essentially the same, i.e. additional SSN construction is essential to "bridging" submarine production from FY 1991 (last nuclear submarine new construction Authorization) to the planned Authorization of the New Attack Submarine in FY 1998. This seven year period represents an unprecedented absence of nuclear submarine new construction authorization. The gap, without SSN construction, would have a devastating impact on an industry which, of necessity, is dedicated to design and construction of nuclear submarine components and has little or no offsetting commercial work.

There are four key elements that must be considered, and effectively resolved by any industrial base solution. They are:

1. Design of complex components supplied by vendors,
2. Production of complex components supplied by vendors,
3. Design of nuclear submarines,
4. Construction of nuclear submarines.

In reviewing potential solutions to the submarine industrial base challenge the following alternatives were examined:

1. Shutdown of the Industrial Base until FY 1998 or later.—Very high risk; may never recover capability; Extensive projected costs to restart would exceed near term cost avoidance; If possible, would

require immediate restart and high SSN build rate (3-4 per year) soon after shutting down the industrial base.

2. Bridging the gap with selected submarine components.—Cost nearly equal to construction of submarines, Delivers no war fighting capability for investment made; and Does not support ship design, integration or construction.

3. Bridging the gap with overhaul/new construction of SSN 688I Class submarines.—Overhaul of SSN 688Is. There are distinct shortcomings associated with trying to preserve the industrial base and meet operational requirements by overhauling SSN 688I submarines. Submarine overhauls do not require the same type or magnitude of design effort associated with new submarine development. Similarly, overhauls do not require and, therefore, do not preserve the mix of construction skills demanded by new submarine construction. Further, overhauls provide little work for nuclear and non-nuclear component suppliers. Without new submarine construction, many nuclear and non-nuclear component suppliers will go out of business. The talent, skills and discipline to design, build, test and integrate these components will be lost. Reconstituting nuclear capability would be time-consuming and costly, assuming it could be done at all.

The overhaul/upgrade approach also ignores force level and performance requirements. Life extension, even if feasible, ultimately has a finite limit and only postpones inevitable block obsolescence and retirement. Finally, fundamental ship characteristics, such as stealth (vulnerability to high performance threats), or ability to support special forces operations, can not be effectively changed through the overhaul approach.

Continued construction of SSN 688Is.—One of the principal requirements to bridge the seven year gap in production is to "base load" the work force with a population which will sufficiently maintain the core of trade, professional, and support personnel needed to design and build submarines.

Construction of a single SSN 688I in FY 1996 *does not* provide enough workload or required the right mix of skills to maintain this critical core of personnel. It would take two SSN 688Is to provide the necessary workload to maintain baseline construction skills. However, construction of two SSN 688Is would not maintain critical design skills as well as SSN 23 construction and would cost an estimated \$2.4B to execute as compared to \$1.5B of additional funding for SSN 23.

Further, as the Navy shifted to SSN 21 design and production in the late 1980s, SSN 688I suppliers began shutting down production of SSN 688I material and components and retooled to support SSN 21 production. Retooling and restarting SSN 688I production to support one or two ships, would be expensive and inefficient, as would reinvesting in some of the older technologies which have been overtaken by SEAWOLF technologies.

4. Construction of SSN 23.—Construction of SSN 23, combined with the timely execution of the New Attack Submarine Program, resolves the submarine industrial base key issues previously discussed. This approach has the near term added benefit of providing the nation with a third state-of-the-art SEAWOLF submarine.

The Authorization of SSN 23 takes advantage of the \$382M of SSN 23 specific long lead materials Authorized prior to FY 1992 which could not be applied to SSN 688I Class submarines. Construction of SSN 23 will:

Result in more war fighting capability delivered to the fleet, Take advantage of reactor plant components that are 75% complete; Create a shorter gap in production from the FY 1991 SSN 22; and More effectively maintain advanced submarine technology needed to transition to New Attack Submarine.

Authorization of SSN 23 and low rate production of New Attack Submarines, beginning with the lead ship Authorization in FY 1998, provides the necessary workload to maintain critical construction and design skills through this decade. Other alternatives considered neither possess the workload nor require the right mix of skills to adequately bridge the gap.

5. Design/Construction of the New Attack Submarine.—The Navy is continuing its effort to design an affordable and capable New Attack Submarine that will be ready for Authorization in FY 1998. The New Attack Submarine represents an affordable submarine matched to a new world situation:

Delivers SEAWOLF quieting at a cost comparable to SSN 688I; Fully consistent with "... From the Sea";

Mission capability consistent with, and integrated into, the joint task force role in littoral battle space; Capable against resurgent technological threats; and Adaptable on all scales to future technologies, missions and resources.

The timely execution of the New Attack Submarine program will provide the continued support to the design disciplines essential to the preservation of the submarine industrial base. The New Attack Submarine will replace SSN 688 Class as they reach the end of their service lives.

Summary.—The results of Navy, DoD and independent organization reviews all validate the importance of the submarine industrial base as a national asset. The conclusion drawn by these studies is that a near-term SSN construction bridge is required while New Attack Submarine development efforts proceed to an FY 1998 lead ship Authorization.

The construction of SSN 23 in FY 1996 provides the most cost effective solution to this requirement. As opposed to the continued construction or overhaul of SSN 688Is, construction of SSN 23 yields more war fighting capability delivered to the fleet, takes advantage of reactor plant components that are 75% complete, minimizes the production gap, and more effectively maintains advanced submarine technology needed to transition to the New Attack Submarine.

The New Attack Submarine provides an effective and affordable follow-on to the SEAWOLF Class. The New Attack Submarine will replace SSN 688 Class nuclear attack submarines in the next century as SSN 688s reach the end of their service life. The New Attack Submarine will be capable of performing a wide variety of missions as either key elements of joint task forces/naval battle groups or deployed as independent units. Timely execution of the New Attack Submarine program provides continued, meaningful

design work and long term production work for the submarine industrial base.

The combined approach of SSN 23 construction and New Attack Submarine affordability provides the highest military value added to the Navy and maintains the nation's submarine industrial base.

*Question.* In your opinion, what are the three most critical aspects of the industrial base which are in greater jeopardy?

*Answer.* The three most critical aspects of the submarine industrial base which are in greatest jeopardy are as follows:

1. Design of critical, complex components and nuclear submarines,
2. Production of critical, complex components for nuclear submarines,
3. Nuclear submarine construction.

The design and production capabilities of those vendors and shipbuilders which comprise the nuclear submarine industrial base represent several decades of development. There is no other industry which employs the highly specialized skills and capabilities required to build nuclear submarines and their components. These vendors and shipbuilders are operating significantly below capacity, and in some cases below profitability levels.

Several studies have been performed to determine the most effective way of ensuring design and production of nuclear submarines and critical components are not lost. All agree that if the nuclear industrial base is allowed to disband, the funds and time required to reconstitute these capabilities would be prohibitive—assuming it would be possible to re-establish this base. Furthermore, the most practical and cost-effective means of maintaining the nuclear industrial base is to construct a third SEAWOLF submarine in FY 1996 to provide a production bridge while New Attack Submarine development efforts proceed to support an FY 1998 lead ship authorization.

#### TACTICAL AIRCRAFT MODERNIZATION

*Question.* There has been much turbulence during the past few years in Defense Department plans to modernize its tactical fighter and attack aircraft, as evidenced by program cancellations to the A-12, A-X, A/F-X, A-6G, F-14 upgrades, and the multirole fighter. Please explain your strategy for tactical aircraft modernization.

*Answer.* The dilemma faced at the beginning of the Bottom-up Review was a recognition that, given the tremendous costs entailed in buying the F-22, F/A-18E/F, A/F-X and MRF as planned, proceeding with all of them would absorb a significant percentage of DOD's overall research and development and procurement funding both in the near term and beyond.

The strategy that DOD elected to pursue was to make only the theater air decisions that needed to be made today and preserving maximum flexibility for future program choices. The incremental approach makes the decisions that must be made now: (1) replacing the Navy's aging A-6 ground attack aircraft, and (2) proceeding with the F-22 to ensure technology dominance.

We will retire all A-6 aircraft by FY 1998. To help compensate for the A-6's retirement, we will upgrade the F-14 with a limited ground-attack capability.

We will also proceed with development and procurement of the F-22, looking toward an initial operational capability by 2003. The F-22's quantum improvements in stealth, "supercruise" capability, and avionics will make it the best air superiority fighter in the world for the foreseeable future. We will also incorporate a precision ground-attack capability into the F-22 at the very outset of production, thus providing a multirole capability that greatly improves the aircraft's utility and cost-effectiveness.

We have cancelled the A/F-X and the MRF programs. We have terminated all production of the F-16 after FY 1994. These actions will save significant funds both over the FYDP period and in future years.

Additionally, we have launched a Joint Advanced Strike Technology Program that focuses on developing common components for future engines, avionics, ground support, training, munitions, and advanced mission planning. The technologies pursued under this program could be used with any future combat aircraft the nation decides to build. These common technologies account for the bulk of the cost incurred in acquiring and operating aircraft. Different airframes—the chief differentiator between land-based and carrier-based aircraft—are a lesser part of overall aircraft costs. Thus, we are aiming for a combat aircraft that, in terms of cost, is 80 percent "joint", although there may be different airframe silhouettes. We believe this will significantly reduce development and production costs for the next generation of Navy and Air Force aircraft, even if we elect to proceed with different airframes.

The Joint Advanced Strike Technology program will develop several technology demonstrator aircraft to explore different technologies that could be incorporated into future aircraft. From these technology demonstrators, prototype aircraft would then be developed to help choose the next-generation replacement for the A-6, F-14, F-16, and F-111 as they reach the end of their service lives.

*Question.* The fiscal year 1995 budget contains funds to initiate your new \$2 billion R&D initiative called "Joint Advanced Strike Technology (JAST)". Please tell the Committee what this entails.

*Answer.* The Joint Advanced Strike Technology (JAST) initiative was established to support development of affordable next generation strike weapons systems as a result of the Office of the Secretary of Defense's Bottom-Up Review. The program will focus on key technologies to meet future joint operational requirements for the Navy, Air Force and Marine Corps while reducing cost and risk. The emphasis is on maturing and demonstrating those technologies, components, concepts, and manufacturing processes which optimize commonality between the Services' next generation strike weapons systems, through prudent use of design modularity and common components.

The breadth of potential JAST Program investments spans: common component development (e.g., engines, avionics, and ground test and training equipment; modern precision guided munitions, advanced mission planning techniques, etc.); advanced concept technology demonstrations; and manned and unmanned system concepts. JAST will demonstrate technologies and processes that will reduce the life cycle cost of future strike systems, promote joint service utilization and commonality, increase the performance and

effectiveness of future systems in strike warfare, enable commercial applications of technologies and develop new concepts of modularity for Air Force and Navy aircraft. The process will demonstrate the military utility of promising technologies and concepts prior to a commitment for development.

In concert with DOD, the Services, and other agency technology developers (NASA, ARPA, etc.), the JAST Program will serve as the primary DOD authority for:

- Focusing investments with the paramount objective of reducing future strike systems development, procurement, and support costs;

- Triggering unprecedented levels of joint analyses and simulation, spanning the spectrum from battlefield campaigns to drawing board concepts;

- Identifying and leveraging commercial sector technologies and processes for application to strike technologies and manufacturing processes;

- Prioritizing DOD's investments in technology projects related to strike warfare;

- Constructing, in concert with the user communities, strike technology development roadmaps;

- Initiating focused technology/concept demonstrations with the objective of assessing operational utility and payoff, validating their technical maturity, and developing an understanding of the residual risk of transitioning to weapon system development;

- Performing tradeoff analyses of critical user defined performance parameters for the next generation strike systems;

- Identifying how to apply "lean enterprise" concepts to the development and production of next generation strike weapon systems; and

- Identifying dual use applications for those technologies and processes developed under the JAST Program.

In FY 1995 JAST will be conducting strategy-to-task-technology analyses (disciplined process which links National Strategy to warfighters operational objectives and tasks to systems definition and technical studies. JAST will award contracts to industry to begin technology maturation in propulsion, air vehicles, avionics, manufacturing and producibility, and weapons integration.

*Question.* DOD initiated the Navy's A-12 program in 1988 due to the urgency of providing advanced stealth technology for carrier aviation. When is the earliest that the Navy could now field in advanced aircraft? Has DOD actually budget funds to develop such an aircraft?

*Answer.* Using JAST as the building block for a future advanced aircraft development program, a new aircraft could be fielded in CIRCA 2010. JAST will perform adequate risk reduction activities such that a program could commence in the Engineering and Manufacturing Development Phase, instead of a Demonstration/Validation Phase.

There are no funds in the current President's budget for such a new start.

*Question.* F-22 production rates are now much lower than originally planned, meaning unit costs will be higher. Wouldn't it be better to invest the \$2 billion into a Navy variant of the F-22, be-



cause if the Navy bought F-22's everyone's unit cost would be more affordable?

Answer. Over the past five years the Navy has been interested in the F-22 and has studied two versions of the F-22 to meet Navy requirements. The first was an Advanced Tactical Fighter which resulted in a very large aircraft with unacceptable carrier suitability characteristics. Recently, under the joint Navy/Air Force Advanced Strike Fighter (AFX) program, there also were a couple of designs being proposed that had a high degree of F-22 commonality. However, the Bottom-Up Review, focused on making only the theater air decisions that needed to be made today while preserving maximum flexibility for future program choices, canceled the AFX program. The near term decision is to pursue the F/A-18E/F and the F-22. The AFX/F-22 derivative design would have been a very expensive program. The decision to do a derivative program does not have to be made now.

The JAST program is aimed at seeking affordable advanced strike weapons systems in a timeframe not too different than AFX. The AFX/F-22 derivative concepts, along with other ideas, can provide an excellent starting point for JAST around which to conduct affordability/performance trade studies.

Question. What are your plans to replace Marine Corps AV-8B Harrier Aircraft?

Answer. As outlined in the Marine Air-Ground Task Force (MAGTF) Master Plan, and the Marine Corps Long-Range Plan, the Marine Corps intends to replace the AV-8B Harrier with the Short Takeoff Vertical Landing (STOVL) Strike Fighter (SSF) in the 2010-2015 time-frame. The SSF will combine capabilities of a high-performance, multi-mission strike fighter, with the expeditionary basing flexibility inherent in a STOVL aircraft. The Advanced Research Projects Agency (ARPA) sponsored Advanced STOVL (ASTOVL) Technology Demonstrator program is currently underway and funded through the critical technology validation phase. With continued advanced in ASTOVL technologies, an Initial Operating Capability (IOC) of 2010 for the SSF is considered achievable.

#### SHIP SELF DEFENSE

Question. After 37 sailors died in the missile attack on the U.S.S. Stark, the Committee became very concerned about the disarray in classified Navy programs to provide ship self defense capabilities against advanced enemy missiles. What is the status of the Defense Department's programs to provide self defense capabilities to its ships?

Answer. Ship Self Defense (SSD) improvements are outlined below:

MK-23 Target Acquisition Systems (TAS) radars are being installed on DD-963's, CV's, CVN's, AOE's, AOR's, LHA's and LHD's. 5 inch Rolling Airframe Missile weapon system installations have been completed on two LHA class ships. The remaining ships in the LHA class are budgeted to complete by 1995. Block I upgrades to the Close In Weapon System (CIWS) have been installed on 12 FFG-7, 11 DD-963, 24 CG-47, 2 LSD-41, 2 LHA-1, 4 LHD-1 and 12 CV/CVN class ships. Signature control efforts have been completed on 20 FFG-7, 11 DD-963, and 2 CG-47 class ships. SLQ-

32(V)5 (SIDEKICK) Electronic Counter Measures (ECM) upgrade installations have been completed on 11 FFG-7 class ships, SLQ-32(V)3 ECM capabilities have been added to 11 DD-963 class ships and 7 CV/CVN's have been upgraded to include ECM with the SLQ-32(V)4. Improved radar and infrared decoys have been procured for use by all surface classes. Additionally, surface combatants have been upgraded with expanded decoy launching systems.

*Question.* How many nations are expected to have stealthy anti-ship cruise missiles by the year 2000?

*Answer.* Three nations, Russia, France, and Italy, will have stealth anti-ship missiles by the year 2000.

*Question.* By that date, will each Navy combat ship have sufficient self-defense capability to adequately protect itself?

*Answer.* Yes.

*Question.* Last year, the Committee was concerned that the Navy planned to upgrade the E-2 aircraft and construct the L-X ship for the Marines, each lacking the "cooperative engagement" self defense capability in which the nation has invested many hundreds of millions of dollars. Has this problem been fixed?

*Answer.* The Navy plans now call for the E-2C Cooperative Engagement Capability to be demonstrated in FY 1997 with a fielded system IOC in FY 1999. The Navy will comply with Congressional direction to include Cooperative Engagement Capability in the LPD-17, formerly L-X.

#### NUCLEAR WEAPONS

*Question.* The Department is conducting a bottom-up type of review for nuclear weapons. Please explain the goals of this study.

*Answer.* The goal of the Nuclear Posture Review is to determine the role of nuclear weapons and supporting systems in the U.S. security strategy. Policy, force structure, operational and security issues are being addressed. Recommendations will be made concerning policy, planning and acquisition.

*Question.* When will it be completed?

*Answer.* The anticipated completion date for the review is this summer. The Secretary of Defense and the Chairman, Joint Chiefs of Staff plan to brief the results to the President at that time. Congress will be briefed soon thereafter.

*Question.* In the Fiscal Year 1995 budget, a number of changes are projected for the nuclear bomber force. Please explain the current thinking.

*Answer.* The size of the future bomber force will be determined by both nuclear targeting requirements, and the need to meet conventional requirements for nearly simultaneous major regional conflicts. All three of the U.S. heavy bombers—the B-52Hs, B-1Bs, and the B-2s—are dual capable, so they can perform nuclear or conventional missions.

When the United States and Russia implement the START II treaty (it has not yet been ratified by either the United States or Russia), the deep weapons reduction and stringent counting rules in that agreement will make it difficult for the United States to retain all of its bombers in the nuclear role. At the same time, though, the treaty does allow us to reorient up to 100 bombers to conventional roles so that they will not count under START II lim-

its. Accordingly, the United States plans to reorient the B-1B bombers to a conventional role and they will be counted as nuclear weapon carriers once Russia is notified and accord provisions are implemented.

By the end of FY 1995, the United States long range bomber force will include at least 60 PAA B-1Bs, 40 PAA B-52Hs, and 6 B-2s. Twenty-six B-1Bs and 27 B-52Hs will be in an attrition reserve status where they will be available for recall. Final disposition of the B-1Bs, and the B-52Hs will depend upon recommendations of the Nuclear Posture Review currently underway.

*Question.* Are bombers (like B-52H's and B-1B's) that are placed into retirement able to be recalled into duty in the future?

*Answer.* Yes, retired aircraft can be recalled for a while, until key components are removed or the dismantlement process begins. The costs of returning them to operational status will increase the longer they are retired. However, the B-52Hs and B-1Bs are not being retired per se. They are being placed in an attrition reserve status pending recommendations of the Nuclear Posture Review that is currently being conducted. They will be retained at operational bases. Operations, maintenance, and manpower funding to fly and operate the aircraft is not being requested.

*Question.* What are your thoughts about continued B-2 bomber production beyond 20 aircraft while the production line is still "warm"? What are your views concerning the contractor's proposal to retain the B-2 engineering and manufacturing team at a cost of \$150 million annually, in order to maintain a warm production line?

*Answer.* Restart of B-2 production is not justified at this time. The Air Force currently has no plans to procure additional B-2s. Procurement of additional B-2s would necessitate either redirection of Air Force funding from other valid requirements or an increase in Air Force funding.

I would like to point out that the \$150 million figure is only a contractor number and not an Air Force estimate. The \$150 million in FY95 dollars is long lead funding that would support a FY97 production authorization to build additional B-2s. This funding is for facility planning, tooling, retooling of the two major subcontractors, Boeing and Vought, acquisition of long lead materiel, and locating and re-qualifying new vendors. According to *contractor estimates*, the second year of long lead in FY96 would require \$500M to \$700M prior to initiating production at the rate of two to three air vehicles per year in FY97 at a cost of \$1.5B to \$2.0B per year.

*Question.* What is projected to happen in the future for the land based missile part of the TRIAD? What are your plans for sea based missiles in the future? Do we need a TRIAD?

*Answer.* These three questions are at the heart of the Department of Defense's Nuclear Posture Review, which is well underway. It is examining the role of nuclear forces in the security policy of the United States in light of the new and enduring dangers of the post-Cold War era. The Review will recommend to the Secretary of Defense a revised nuclear posture, including force size and structure, to fulfill that role. When complete, the results will be briefed in detail to the Congress.

## DEPARTMENT OF DEFENSE TECHNOLOGY

*Question.* In layman's terms, please describe your vision about how the Defense Department should pursue advanced technology.

*Answer.* The classical modernization process of basic research, exploratory development and advanced development remains an appropriate approach to pursue advance technology. The impact of declining modernization budget, however, requires that, as a technology matures from basic research to exploratory development we gain a better and earlier understanding of its utility, costs, and producibility. This necessitates definition of the requirements and design costs required to produce and field a technology at the earliest possible stage. In an area of accelerated technological change, particularly in areas such as information systems it is important to field new systems in as timely a manner as possible. An approach such as the Advance Concept Technology Demonstration (ACTD) focuses maturing technology on important military problems and provides a means of rapidly getting required new capabilities into the operational forces at much lower cost.

*Question.* What are the technologies which you think are important for the Defense Department?

*Answer.* To better order the technologies which are important we have defined areas which we believe are important to support the future roles, missions and operations of military forces. They include cruise missile defense; counter proliferation; precision strike from standoff; simulation for readiness, training and development; mine countermeasures; rapid force projection; and advanced command and control such as joint planning. In general, the information-related technologies and microelectronics promise to provide a significance edge in future military missions.

*Question.* How can these be afforded in a declining budget?

*Answer.* We must continue our emphasis on development of technology and invest in the future at approximately the previous levels, even in a declining budget. We must reduce costs in getting these capabilities into the forces. Better definition at the earliest possible stage is a key step, along with developing processes to minimize the time and expense. A critical element of acquisition reform is the Advance Concept Technology Demonstration (ACTD). An ACTD gains strength by closely involving the operational commander in development, and when the demonstration is complete, leaves them with a "residual operational capability". Further, the ACTD provides a quick, economical path to acquire items where only small quantities have military significance.

*Question.* Congress has been interested in prudent management for the FFRDCs. What do you see as their role as the budget declines?

*Answer.* In general, I believe their role will remain basically the same as now, but the overall level of funding will be reduced. DoD sponsored FFRDCs are of three types: Studies and Analyses (S&A) centers; Systems Engineering and Integration (SE&I) centers; and, Research and Development (R&D) laboratories. Funding levels for each of the different types would vary based on their unique contributions. The S&A centers will be funded at approximately their current levels. The SE&I centers funded roughly in relation to the

level of activity of the programs that they support. Funding for the R&D labs will be guided by the Department's long term science and technology funding.

*Question.* Explain your strategy for pursuing "dual use technologies" under defense conversion.

[CLERK'S NOTE.—The Department was unable to provide a response in time to be printed in this hearing volume.]

*Question.* Software is a key technology, for which DOD spends over \$30 billion annually. Yet DOD has been unable for a number of years to develop a software master plan which would be an essential management tool. What are your plans in this regard?

*Answer.* I am keenly aware of the importance of software to the DoD. Software is a significant element in providing both functionality and flexibility in almost all DoD systems, and software technology is vital in satisfying future military needs.

The absence of a software master plan should not be interpreted as a lack of a sound approach to software, or a lack of needed management attention. Management of all aspects of software (including technology, acquisition, and support) is a dynamic process that receives continuous management attention within the Department. In the technology area, the Department's R&D investment of approximately \$200 million per year is under the leadership of the Director of Defense Research and Engineering.

In the broader area of software, cooperative implementation of initiatives is achieved through the provisions of a Memorandum of Understanding between the Director of Defense Research and Engineering and the Assistant Secretary of Defense (Command, Control, Communications and Intelligence). A current effort in software reuse is an example of such a cooperative initiative.

Still, we are not at all complacent about our management of software. In December 1993 we established a Defense Science Board Task Force on Acquiring Defense Software Commercially. This task force is currently benefitting from strong participation by DoD advisors who have a significant role in software-related activities. The results of this task force are expected to be available this summer, and I look forward to considering their findings and recommendations.

#### BALLISTIC MISSILE DEFENSE

The Bottom-Up Review states that, despite a decade of research, the United States is far from deploying a highly effective defense against a large-scale missile attack. In addition, strategic arms reduction agreements recently negotiated with the former Soviet Union have reduced the threat against which the ballistic missile defense system was designed. Please describe the resulting changes in direction and priorities for the ballistic missile defense program.

A major issue for the ballistic missile defense program is whether the systems being developed are compliant with the Anti-Ballistic Missile treaty. Has DOD determined whether any ballistic missile defense systems are not treaty compliant? What is DOD doing to address the issue of non-compliant systems? When do we first experience ABM treaty problems that affect our ability to conduct tests?

The previous administration's program recommended spending about \$39 billion for ballistic missile defense from FY 1995-99. The

Bottom-Up Review recommended spending \$18 billion for ballistic missile defense during this period. DOD has programmed about \$17 billion for ballistic missile defense from FY 1995-99. What changes have been made to the ballistic missile defense program to accommodate the planned decrease in funding?

[CLERK'S NOTE.—The Department was unable to provide responses in time to be printed in this hearing volume. End of questions submitted for the record.]